

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

O C T O B E R 1 9 3 7

37 BILLIONS—COUNT THEM	3
THE COMMON TRUST FUND	GEORGE E. ANDERSON 5
MORE THAN TALK ABOUT PUBLIC RELATIONS	19-23
USING BANK SERVICES TO BUILD GOOD WILL	C. DELANO AMES
DEVELOPING TRUST BUSINESS	ALBERT JOURNEYAY
PROMOTING SAVINGS INSTITUTIONS	JOHN J. McCANN, JR.
BRITISH BRANCH BANK MANAGEMENT	NORMAN CRUMP 24
GOOD HIRING AVOIDS FIRING	EDWARD N. HAY 25
BUSINESS LOANS—A LIVELY CORPSE	G. OGDEN TRENCHARD 26
HOW TO SELL ESCROW SERVICE	MARC A. RIEFFEL 28
UNCONTROLLED INSTALMENT BUYING	THOMAS C. BOUSHALL 30
SOURCES OF INVESTMENT ADVICE	EDWARD H. COLLINS 32
METHODS AND OPERATIONS	40
ABOUT NEW ENGLAND AND THE CONVENTION IN BOSTON	83-146
THIS IS THE THIRD BOSTON CONVENTION	PICTURES
THE GROWTH OF NEW ENGLAND BANKING	CHARTS
AN ILLUSTRIOUS NEIGHBORHOOD	PICTURES
• BANKING'S DIGEST	149
• BANKING'S CONTENTS AND CONTRIBUTORS	79-80



Personal Loan Insurance will attract this profitable business to your bank

Here is a way to encourage consumers to bring the financing of their purchases to *your bank*. Personal loan insurance protects the borrower's estate because the debt is automatically paid in case of death. It not only eliminates the borrower's natural fear of leaving a debt, but also insures his heirs' ownership of the automobile, refrigerator, radio or other purchase for which the money was borrowed. Endorsers also appreciate the obvious protection that this insurance affords them.

If your system of financing meets certain simple requirements, you can insure borrowers' lives inexpensively, under Connecticut General Personal Loan Insurance, relieving prospective borrowers of worry, relieving you of collecting from heirs or co-makers — making your bank the one people choose when borrowing money.



Write for free new booklet. We also supply policyholder banks with folders and newspaper mats for their own advertising.

Connecticut General *for all forms of Group Insurance*

Personal loan insurance is the newest form of the complete group insurance protection provided by Connecticut General. Group life, accident and sickness insurance and retirement annuities are also provided. Connecticut General, organized in 1865, has over a billion dollars of life insurance in force. Its renewal ratio on group insurance is among the highest of all group-writing companies.

Connecticut General
Life Insurance Company
Hartford, Conn.

LIFE, ACCIDENT, HEALTH AND GROUP INSURANCE AND ANNUITIES

The Condition of BUSINESS

THE LAST QUARTER. Business activity is being maintained at a generally satisfactory level as the year enters its last quarter, although questions of national monetary policy have caused confusion and uncertainty. This is not due to any fundamental change in our monetary position, but to the vision of higher taxes and the obscurity of the course to be followed in finding a solution of the budget problem.

Efforts of the investing public to understand, interpret and possibly anticipate the credit policies of the Federal Government—whether in the direction of “boom control” or the other way—have been reflected in a thin and highly nervous stock market, the gyrations of which have considerable bearing on confidence in a country that is rather distinctly market conscious.

A FEW ANXIETIES. Many business men, no doubt, have their share of anxiety as to whether the anticipated Fall upturn will meet expectations, what further labor troubles are ahead, what sort of wages and hours legislation will be enacted, and what rising prices will do to consumer buying. Nevertheless, recovery has a strong hold on the country and no change seems to have occurred that indicates the arrival of an important turning point.

NO BONUS THIS YEAR. There has been less of an increase in spending than had been expected, although it must be recalled that last year the veterans were turning a good proportion of their bonus bonds into consumer goods. Also, considerable corporate financing for improvements and betterments has been delayed because of uncertainty as to interest rates and market conditions, thus bringing capital expenditures below expectations.

On the other hand is the comfortably solid fact of this year's increased farm income, thanks to bumper crops. Manufacturers generally report ample backlogs of orders and, up to mid-September at least, were insisting that cancellations were lower than usual. Also to be taken into account is the likelihood that dividend distributions in the closing months will be fairly liberal. How they will compare with a year ago remains to be seen; since the liberality of 1936, corporate executives have had plenty of time to choose between paying dividends or the undistributed surplus tax.

HEAVY INDUSTRIES. There has been a slowing up of production rates in the steel mills and automobile plants, but the output of both has kept ahead of last year. Freight car loadings and electric power production reflect the general business activity by making new highs, although more recently it has appeared that the freight movement would be somewhat below earlier predictions. Less favorable is the outlook in building construction, an important line that has been counted on for substantial accomplishment. Dearth of new orders is due in large measure to increased costs.

MANAGED MONEY. As for the recent manifestations of monetary management, the case in brief seems to be that the Federal credit authorities, holding themselves responsible for business, are anxious to shift gears at every grade. In the Summer of 1936 they decided that it was necessary to curb boom tendencies then in sight, and started by raising reserve requirements 50 per cent. In December a further astringent was applied in the sterilization of gold imports. In February of this year the Reserve Board increased reserve requirements another 50 per cent in two instalments, thus exhausting control powers in that direction.

In April the Board reversed the process and increased the

System's holdings of Government securities by \$96,000,000. In August it went a step farther by reducing rediscount rates to the lowest point in central bank history. In September another open market buying campaign was inaugurated, at least potentially, and arrangements were made with the Treasury for unsterilizing \$300,000,000 in foreign gold.

A BRIEF CHRONOLOGY. In such a situation the views of individuals and groups in authority assume extraordinary importance, this being true regardless of whether there is any consistency in these views or any agreement between the various individuals.

On November 13, 1936, Governor Eccles said at Boston: “I believe thoroughly that a technically balanced budget will be reached by 1939, and that a balanced budget, so far as having to go to the market for additional funds is concerned, will be reached by 1938.” It was his belief that there would be “very little more borrowing by the Federal Government”; large Treasury balances, liquidation of assets, and tax revenue would preclude “substantial additional issues of Government securities.”

The Federal Reserve *Bulletin* of February 1937, discussing the move to increase reserve requirements, made the following comment:

“The Board estimates that, after the full increase has gone into effect, member banks will have excess reserves of approximately \$500,000,000, an amount ample to finance further recovery and to maintain easy money conditions.”

THE BUDGET AND TAXES. On March 16, in a published statement, Chairman Eccles said, among other things:

“Under present conditions of an accelerating recovery, a continued easy money policy to be successful in achieving and maintaining a balanced recovery must be accompanied by a prompt balancing of the Federal budget and the subsequent retirement of public debt by the Government in relationship to the expansion of private credit.

“I have not been and I am not now in favor of balancing the budget at the expense of the destitute and the unemployed who are unable to find private employment, but I am in favor of increasing taxes on incomes and profits if necessary to sustain the volume of relief and at the same time bring the budget into balance and permit the paying down of public debt as private debt expands. Only by this process can monetary inflation be prevented.

“If, in the meantime, however, stable recovery is endangered by unwarranted price and cost increases arising from non-monetary causes they must be combated by other than monetary means. To resort to monetary restraints under such conditions would involve the risk of halting recovery and precipitating another deflation before we have recovered from the last one and before the Government is in position to bear the costs of it without causing a monetary inflation.”

MID-SEPTEMBER PROGRAM. On September 13 it was announced that \$300,000,000 in gold would be de-sterilized and that the Open Market Committee would enter on a program of purchasing Government bonds to an unspecified amount. The reason for these moves appeared to be a desire to avoid a credit pinch—this, at a time when money was available at the lowest rate in our history and the banks had more than three-quarters of a billion dollars in excess reserves.

Thus a contradictory and disturbing element has been introduced and it is only natural that business should wonder which direction credit policy is going to take next.



We believe in financial umbrellas

PEOPLE who carry umbrellas usually manage to get through sudden downpours without much damage.

Like thunder showers, financial storms can come up pretty swiftly too.

So we recommend an umbrella for financial emergencies—in the shape of a financial reserve. And we believe firmly that in any such reserve there are three vital elements: (1) a bank account; (2) life insurance; (3) *Living Protection*.

Because many find it difficult to accumu-

late large sums of money, we developed this plan called *Living Protection*. Through it, people acquire the habit of setting aside a small share of their income—*regularly and persistently*.

In the past ten years, over \$64,000,000 thus accumulated have been disbursed to contract holders. And in the whole 43 years of its existence, Investors Syndicate has paid every obligation on time, when due—and increased its resources each year, through good times and trying times alike.

INVESTORS SYNDICATE
Established 1894

**Living Protection...everyman's road
to financial security**

*Investors Syndicate agency offices
in 192 leading cities, including:*

New York† • Newark • Harrisburg • Memphis
Charleston, W. Va. • New Orleans • Chicago • Detroit
Des Moines • Oklahoma City • Salt Lake City
Los Angeles • Montreal* • Toronto* • Winnipeg

Home Office: Minneapolis, Minn.

†Office Investors Syndicate Title and Guaranty Co.

**Office Investors Syndicate, Ltd., Canada*

These companies are affiliates of Investors Syndicate

37 Billions—Count Them

INVESTIGATORS for the Twentieth Century Fund, Inc., having looked into the relation between the national debt and Government credit, offer some timely observations on this most important of subjects.

"Fears that the United States Government credit is insecure at the present time are unfounded," they say in *The National Debt and Government Credit* (published by the Fund, New York, \$1.75). "However," they hasten to add, "the knowledge of the present security of credit would not of itself ensure a continuance of the business revival, with its beneficial effects on future credit. There can be no assurance of future credit if continuing Federal deficits appear likely through raids on the Treasury by pressure groups or otherwise, and if the Government does not exhibit a determination to balance the budget as rapidly as possible. A balanced national budget is the only effective guarantee of sound credit in the long run."

Certain factors in our situation must be recognized, the Fund's researchers point out. For one thing, the trend of the debt is important—perhaps more so than its magnitude—and psychological considerations "often predominate in determining government credit." For another, even though all may now be well, there is no indication that the Government's present fiscal policies "might not have other than harmful social and economic effects which would in turn damage the Government's credit." Deficits long continued "must inevitably have an adverse effect on public confidence, which is the basis of government credit." Furthermore: "While an increase in the national wealth and income increases the safe limit of the debt, a conservative administration can never assume that such an increase will take place. To restore the reservoir of credit which has been drawn on during the depression, the debt must be reduced."

The Fund's Committee on Government Credit, outlining a program of action based on the research staff's studies, makes these points: Nothing except dire emergency should interfere with actual balancing of the budget (except for statutory debt retirement) in the fiscal year 1938; unless a serious business setback occurs, substantial debt reduction should start in the fiscal year 1939; and the goal in the next decade should be reduction by at least a billion annually.

Members of the committee are: Oswald W. Knauth, president of Associated Dry Goods Corporation, chairman; Professor James W. Angell of Columbia University; Joanna Colcord of Russell Sage Foundation; George M. Harrison, president of the Brotherhood of Railway and Steamship Clerks; George M. Putnam, president of the New Hampshire Farm Bureau Federation; and Donald R. Richberg, former chairman of the National Recovery Administration.

* * *

A valuable contribution to recent banking literature is *Bank Accounting Practice* by Dr. L. H. Langston. (Ronald

Press, New York, \$5.) The ease with which the author enables his reader to understand this subject is one of the volume's chief assets; a person with no previous knowledge of banking could get from the book a good idea of a bank's routine transactions and how they are handled.

Dr. Langston's qualifications for writing a book of this type include work in a bank, the teaching of banking and bank accounting at the American Institute of Banking and Columbia University, and practical experience as a member of a firm of accountants and auditors.

A peculiarity of banking is that its operating routine and accounting go together. So in this volume the operating routine has been explained as an approach to the accounting for the transactions which are involved. The viewpoint is that of the large bank, but the principles set forth are applicable to smaller banks because they differ from large institutions mainly in degree, the same accounting principles applying to both.

BOOKS IN BRIEF

Seven Kinds of Inflation. By Richard Dana Skinner. (McGraw-Hill, New York, \$2.50.) Those discussed are inflation of bond prices, short term interest rates, stock prices, general price level, debt compared to wealth, interest charges compared to income, and living costs compared to income. Mr. Skinner helps the layman help himself to accurate knowledge of what is going on, at any given time, in the complicated world of economics. The author points out that useful figures for measuring current trends are the weekly Federal Reserve tables covering the country's banking position, and he explains how these readily available statistics are to be interpreted.

Bank Credit as Money. By John R. Walker. (Harper, New York, \$2.) In this book the executive vice-president of the National Association of Sales Finance Companies suggests practical measures for neutralizing inflationary effects of credit operations. He proposes a plan for recasting commercial banks' reserve requirements, a plan for liquidating deposits in times of stress without paralyzing lending, and a basis for measuring the adequacy of bank reserves. The distinction between inflationary and non-inflationary use of bank credit is carefully analyzed.

The Municipal Year Book, 1937. (International City Managers' Association, Chicago, \$5.) This is the fourth issue of an annual which presents compactly a record of current events and developments in municipal government. A section on municipal finance is devoted largely to the financing of relief and recovery. The contents also includes financial statistics for 1935 for larger cities.

Compensating Industrial Effort. By Z. Clark Dickinson. (Ronald Press, New York, \$4.50.) A scientific study of work and wages by the professor of economics at the University of Michigan.

Volume XXX, No. 4. Published monthly by the American Bankers Association at 22 East 40th St., New York City. Fred N. Shepherd, Editor and Publisher; William R. Kuhns, Managing Editor. Assistant Editors, William P. Bogie and John L. Cooley; L. E. Lascelle, Business Manager. Field representatives, Alden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., and Richard F. Durham, 22 E. 40th St., New York City; Robert W. Kneebone, 230 N. Michigan Ave., Chicago, Ill.; R. J. Birch & Co., Los Angeles and San Francisco, Cal. Washington office, 708 Colorado Building. Subscriptions: \$3 yearly; Canada, \$3.36; foreign, \$3.72; single copies, 25 cents. Entered as second-class matter May 3, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. Copyright 1937 by American Bankers Association. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

BOTH LOSSES ARE PREVENTABLE!

Bank Robbers Get \$19,700 in Local Holdup

**Cashier Knocked Out With
Gun in Noon-day Raid
Timed to Obtain Pay Rolls**

Special to The Daily Times
MIDDLEBURG. Sept. 30. — The First National Bank was held up and robbed of \$19,700 in a surprise raid by five men a few minutes before noon today. The robbers fled in a stolen automobile after felling James Gardner, Cashier and herding employees into the bank's vault.

Cashier Gardner attributed the success of the daring holdup to the absence of alarm devices but said that the bank management was considering

Mid-State Corp. Invokes 77-B

**Bonds Drop Sharply
on Announcement**

Protective Committees Formed

In an unexpected move directors of the Mid-State Corporation today filed 77-B proceedings. In view of the substantial progress made by the corporation since its labor difficulties last Spring, the directors' action came as a surprise in financial circles where the Company's bonds immediately dropped sharply.

COMPETENT guards and an automatic-alarm system can forestall most bank robberies. But no automatic device has as yet been invented to warn of impending depreciation in your bank's bond investments.

Protecting the value of bond investments involves far more than convenient statistical data on the issues your bank owns. It means constant study of all the factors—political and economic, here and abroad—that influence the future of bond values. It entails constant observation of bond markets and the money markets in terms of your bank's particular needs.

Management of your bank's investments is more than a spare-time job for one officer—it's more even than a full-time task for any

one man. Efficient management of a bond account requires the full-time services of scores of especially-trained men. Here at Moody's are men whose only job is to study the rails, others the governments, still others the utilities and industrials. The information these men gather and interpret is applied to your bank's individual investment problems by a personal counsellor who keeps continuously informed of your aims and requirements.

The cost of Moody's Bank Supervisory Service is nominal—when compared to the protection it affords. Your inquiry for detailed information on the application of this service to your bank's investments will be held in confidence. No obligation whatsoever is involved.

MOODY'S INVESTORS SERVICE

JOHN MOODY, *President*

65 Broadway, New York City

105 West Adams Street, Chicago

PROGRESSIVE



Keeping abreast — and often ahead — of the times is the achievement of Employers Mutual that makes it so satisfactory a connection for progressive Insurance buyers. Workmen's Compensation, Public Liability, Automobile and allied forms of Insurance are written by this strong, progressive Company. Ask for proof of its advantages to you.

**EMPLOYERS MUTUAL
LIABILITY INSURANCE CO.**
HOME OFFICE: WAUSAU, WIS.

Branch offices in the principal cities of the Middle West. Consult your Telephone Directory

FEDERAL INTERMEDIATE ★ CREDIT BANK ★

CONSOLIDATED DEBENTURES

Exempt from Federal, State, Municipal and Local Taxes

Authorized by an Act of Congress approved March 4, 1923 As Amended

Consolidated debentures are the joint and several obligation of the twelve Federal Intermediate Credit Banks.

Eligible up to six months' maturity for purchase by the Federal Reserve Banks and are acceptable as collateral security for fifteen day loans to member banks of the Federal Reserve System.

Consolidated debentures are legal for investment by savings banks in the State of New York.

Eligible as security for all fiduciary, trust, and public funds held under the authority or control of officers of the United States.

These debentures have been approved as security for deposits of postal savings funds.

★ Further information and circulars can be obtained through your dealer or

CHARLES R. DUNN

FISCAL AGENT

For the Federal Intermediate Credit Banks
31 Nassau Street • New York City

The Common Trust Fund

By **GEORGE E. ANDERSON**

Washington, D. C.

IT has been generally understood for some time that the Board of Governors of the Federal Reserve System has practically completed its long consideration of amendments to Regulation "F" dealing with investments of trusts administered by national banks. The summary of the situation offered herewith is based on the latest information available at the time of writing. An early announcement of changes which will permit the investment of trust funds in a common trust fund may be expected.

It has been assumed that the Board's new ruling would permit "common trust" investment of the funds of small trusts subject to such restrictions as are regarded as necessary to prevent abuses. To a certain extent these assumptions are correct. The staff work of investigation is understood to be complete, but it has not been at all certain that the Board's action would measure up to the expectations of experienced trust officers who have been most active in seeking what they consider a reform.

Consideration of the matter by the Reserve authorities has been going on for several years. It has been thorough and comprehensive. They have had the effective cooperation of the American Bankers Association and the leading trust men of the country. Their attitude towards the more liberal policy sought by leading trust officials has been and continues to be highly sympathetic. The more the matter has been gone into, however, the more the difficulties of the situation have appeared. The result is that the Reserve authorities feel that whatever is done at this time will be more or less experimental and should therefore be conservative. It seems very probable at this writing that the action of the Board will be confined to authorizing the commingling of the funds of small trusts for the purpose of investment only in those states where state laws directly and positively authorize the practice and only to the extent that it is authorized by state law.

The Reserve Board made as much of a beginning in authorizing common trust funds as seemed practicable in connection with the revisions of its



**"NOT A HEADACHE
OVER OUR
BANK CHECKS
IN 6 YEARS"**

A bank official recently remarked to one of our executives that he hadn't had a "headache" over the purchase of checks in six years. Our records reveal that we have been serving his institution for that exact period.

DeLuxe
CHECK PRINTERS INC.,
Lithographers and Printers

Plants at
Chicago Kansas City New York Cleveland St. Paul



A dependable light protects . . .

Faries Guardsman lamps protect sight . . . avoid eye-strain . . . and conserve energy. Due to their patented design, these efficient, modern lamps eliminate glare and reduce shadows to the minimum. They shed a bright yet restful light having the texture of daylight, with proper distribution to all points on the lighted area. Faries lamps retain their original beauty for they are made of brass with electroplated finishes which dignify and harmonize with other furnishings.



Faries
GUARDSMAN
Jr.

Model 2242
Price \$11.00

Enjoy Guardsman light today! If your dealer cannot supply you please write us.

FARIES MANUFACTURING COMPANY

and S. Robert Schwartz Division B
DECATUR, ILLINOIS

SOUND INSURANCE

fire
windstorm
automobile
earthquake
sprinkler leakage
explosion, riot and
civil commotion
use and occupancy
rent and rental value
annual transit
fur floater
parcel post
personal effect floaters
trip transit
miscellaneous scheduled
property floaters

An excellent company—Ask your broker or agent

**MILLERS NATIONAL
INSURANCE COMPANY**
ESTABLISHED 1865

HOME OFFICE • CHICAGO

DIRECT ROUTE

for
collection of
items on the
MID-SOUTH



**THE FIRST
NATIONAL BANK**
OF MEMPHIS
Memphis, Tenn.

Regulation "F" regarding the trust powers of national banks following the passage of the Banking Act of 1935. Under the old regulations it was required that "the securities and investments in each trust shall be kept separate and distinct from the securities owned by the bank and separate and distinct from one another."

This provision is continued in the revised regulations effective June 1, 1936, but it is further provided that "funds received or held by a national bank as fiduciary shall not be invested in participations in pools of mortgage bonds or other securities, except when the cash balances to the credit of certain trust estates held by such national bank are too small to be invested separately to advantage. Such small amounts may, with the approval of the trust investment committee, be invested collectively, and participation certificates may be issued by the trust department to the various participating estates."

It is provided further that in such cases the bank shall own no participation in the securities in which such collective investments are made and has no interest in them except as trustee or other fiduciary. Such collective investments also can only be made when not prohibited by state law or by the instrument creating the trust.

LAWS OVERLAP

WHILE national banks operate under Federal charter and derive their power to administer trusts from Federal law they are in fact restricted in the exercise of such powers by state legislation. On the other hand, banks and trust companies chartered by state authority must administer trusts in conformity with the regulations of the Reserve Board if they are to have the benefit of exemption from the excess profits tax under the present revenue law since such exemption is limited to institutions "a substantial part of the business of which consists of receiving deposits and making loans and discounts or of exercising fiduciary powers similar to those permitted to national banks under section 11(k) of the Federal Reserve Act", and so on.

The laws of the several states governing the investment of trust funds, however, vary perhaps more extensively than any other branch of banking legislation. In most states such investments are governed by laws applying to guardians, individual trustees and other fiduciaries. In a comparatively few states there are specific statutes governing the investment of trust funds by

(CONTINUED ON PAGE 8)

"Unforeseen events . . .

need not
so often change and shape the course of man's affairs"



"Dad says you'll take good care of it for me . . ."

MICKEY's newsboy earnings, the factory payroll, the savings of a community . . . all these the banker must "take good care of." Few men have so heavy a responsibility. His business judgment must be sound, his reputation above question. But he *can't* be a prophet. No more than any other man can he foretell the vagaries of the Unforeseen.

The banker can never know where loss-lightning may strike. He uses every possible safeguard, leaves no loophole unwatched. And as his last line of defense the wise banker has that strongest protective bulwark of all—a surety bond. Known today as a "banker's blanket bond" because, in its broadest form, it covers practically every loss contingency . . . it protects

not only the banker . . . but, indirectly, each of his depositors.

For many years The Maryland has issued Bankers' Blanket Bonds covering burglary, theft, holdup, misplacement and embezzlement. Realizing that the most valuable service the Company can render a bank is assisting in making its bond airtight, The Maryland has bank-insurance men of long experience who are always available in a consulting capacity.

A phone call to one of the 10,000 Maryland Casualty Company agents throughout the United States, Alaska, Canada, Cuba, Puerto Rico, the Canal Zone and Hawaii can put this trained personnel to work planning *your* bank's security against the Unforeseen.

THE MARYLAND

MARYLAND CASUALTY COMPANY • BALTIMORE

The Maryland writes more than 20 bonding lines, including . . . Fidelity . . . Bankers' Blanket . . . Contract . . . Check Alteration and Forgery . . . Depository . . . Fraud Public Official Bonds . . . Judicial. More than 40 types of Casualty Insurance, including . . . Aircraft . . . Engine . . . Automobile . . . Burglary . . . Boiler . . . Elevator Accident and Health . . . Fly-Wheel . . . General Liability . . . Plate Glass . . . Electrical Machinery . . . Sprinkler Leakage . . . Water Damage . . . Workmen's Compensation.

Before

you subscribe to
any financial
service, send for
sample pages of

POOR'S NEW MANUALS

the only bound
Manuals kept up-
to-date daily . . .
Railroads, Public
Utilities, Industrials
and Fiscals . . . both
Daily Reports and
Manuals for just

\$130.

OR

for a combination
factual and advis-
ory service, get full
information about

POOR'S BANK & EXECU- TIVES SERVICE

with full inquiry
privilege — and
including the . . .

1. Bank & Executives Manual,
published quarterly.
2. Bond Advisory Service,
published weekly.
3. Bond Quotation Guide,
published semi-monthly.
4. Corporation Rating Revisions,
published monthly.

\$120.

POOR'S PUBLISHING COMPANY
90 Broad St., New York

(CONTINUED FROM PAGE 6)

trust companies and banks exercising trust functions.

It so happens, however, that the states in which there are specific statutes on the subject are those which contain most if not all of the large trust institutions. Even in the states where trusts are governed by common law rules or by general statutes the segregation of trust assets not only from the funds of the trustee but also from the assets of other trusts is the general rule. This is in accord with the requirements of Federal law with respect to national banks and in line with the requirements in practically all states whose laws on the subject can be considered at all satisfactory. The segregation of trust assets is, beyond question, the only safe and sound method of handling trusts of considerable size,—trusts large enough to permit of diversification in investments and large enough to justify separate investment management on the part of the trustee. It has long been recognized that with small trusts which are not large enough to permit of diversification it is much to the interest of both the trustee and the beneficiaries that their funds be merged in a common trust fund for the purpose of investment—if this can be done with absolute justice to all concerned.

SOUNDS EASY BUT ISN'T

AT first glance this seems easy but as a matter of fact it is very difficult. A case cited in illustration is the difference between the position of a living, or revocable, trust and that of a testamentary and other irrevocable trust. If the maker of a revocable trust becomes dissatisfied with the management of his estate, fears the investment policies of the trustee, wants more income, feels the need of hedging against inflation or otherwise wishes to withdraw his funds he can do so. This the maker of an irrevocable trust cannot do. The result is that the makers of revocable trusts, the funds of which are invested in a "common trust fund", can so weaken the fund as to destroy its value,—even establish a "run" upon it, leaving the irrevocable trusts to carry the "bottom of the barrel" securities.

This is only one of several problems which must be solved before new regulations can be safely launched. Reserve officials indicate that the problem would be greatly simplified if the regulations applied only to adequately equipped trust institutions. Moreover, the trust powers granted national banks by the Reserve Board are not all alike. They

range from broad general powers to specific power to administer a single trust. Nevertheless the regulations of the Board governing trust investments must be such as can be applied to all institutions.

Where state laws now require the complete segregation of the assets of each trust, large or small, the writ of the Reserve Board in authorizing a more liberal policy will not run unless and until such laws are amended. The movement among trust men to secure authorization from the Reserve Board for the commingling of the funds of trusts in a limited field has been paralleled by similar action in the states. Up to last accounts six states have passed legislation giving more or less explicit authority for the change, but these state acts, like almost all state legislation on such subjects, vary greatly and in several instances can hardly be said to give the authority desired by interested trust men.

The outstanding act at present is the New York law enacted at the last session of the State Assembly. It provides that a bank or trust company may invest trust funds which it holds as executor, administrator, personal or testamentary trustee, guardian or committee up to the amount of \$25,000 for any one trust—or less if the State Banking Board so decides—in one or more common trust funds under rules and regulations to be established by the Banking Board, provided the instrument, order, decree or judgment under which the trust is held does not forbid it to do so. This can be done whether the bank or trust company acts alone or in conjunction with another trustee. The funds may be invested and reinvested in whole or in part by adding them to the common trust fund and apportioning shares.

All moneys in the common trust fund with the exception of cash balances awaiting investment or to meet cash requirements are to be invested in those securities, except real estate mortgages, in which savings banks in the state are authorized to invest. The assets of the common trust must be valued four times a year and new funds can be entered or trust funds withdrawn only on the valuation dates. Provisions also look to the elimination of bad investments on each valuation date before the entry of new funds so that the latter shall not be saddled with the mistakes made involving funds already in the trust. Accounts of each common trust must be settled annually and the accounting and settlement filed with

(CONTINUED ON PAGE 10)



125 YEARS OF BANKING SERVICE

The experience of age and the vitality of youth

AGE alone is not an asset. The important thing in an institution which has continued for a century and a quarter is to combine the experience of age with the spirit of youth.

The National City Bank of New York is young in its capacity for growth.

Translated into other terms, this growth spells *confidence* on the part of millions—big depositors and little depositors, old friends and new. Some of these old friends are the grandsons and granddaughters of the depositors of 125 years ago. The National City Bank hopes to deserve a loyalty which will permit it to serve their grandchildren and great-grandchildren when another 125 years have gone.



THE NATIONAL CITY BANK OF NEW YORK

HEAD OFFICE: 55 WALL STREET

Member Federal Deposit Insurance Corporation

THE BRANCH AROUND THE CORNER CAN SERVE YOU AROUND THE WORLD

What your Secretary says about you



"I wish my boss could see himself as I see him. Routine's getting him down. He's so busy doing unimportant 'musts' that he hasn't much time for the really important 'maybes' that mean extra business. He doesn't get away from the office as much as he should—and that means he's often fagged instead of fresh..."

"Ann's boss is different. She and her boss use modern Ediphone Voice Writing. *She* isn't running into his office every second the way *I* do. She doesn't have to sit around twiddling her thumbs while her boss talks on the phone. Here's how they do it..."

"He tells his Ediphone everything—the minute he thinks about it. Orders theatre tickets...sets a golf date...answers letters...issues all instructions right into the receiver of his Ediphone...just as easy as using the telephone. She doesn't have to be there every second, so naturally she has more time to see that his work gets done. And if he feels like working through at night

till it's time to take a sleeper to wherever he's going, she doesn't have to be there. He can let the Ediphone tell her the next morning. An Ediphone would make my boss's job and my job easier...give him a chance to see those important customers. It would give *him* time to be a real executive and me to be a real assistant."

An Ediphone permits you to handle instructions, memos, inquiries, letters, reminder-dates, the minute you *think* about them...increases your personal business capacity 20% to 50%. For every activity where "your voice points the way," use an Ediphone. Investigate! For details telephone the Ediphone, your city, or write Dept. K38, Thomas A. Edison, Inc., West Orange, New Jersey.

VOICE-WRITE WITH THE
Ediphone

The Edison Invention for Business

PREFERENCE FOR EDIPHONE PERSISTS

(CONTINUED FROM PAGE 8)

either the supreme court or the surrogate's court of the county in which the trust institution is located.

The Delaware act provides that a bank or trust company authorized to administer trusts "may invest funds held by it in such fiduciary capacity in fractional undivided interests in a common commingled fund" composed exclusively "of the classes of investments authorized for trusts in that state" provided such common fund shall have been created and is managed by such bank or trust company under a written plan filed in the office of the register in chancery.

The Ohio act provides that in the management of money and property held by a bank or trust company "as trustee such trust company may invest such money and property in a general trust fund of the company but it shall be competent for the authority making the appointment to direct whether such money and property shall be held separately or any part of it invested in a general trust fund of the company.

"MORTGAGE POOLS"

THE Pennsylvania act provides that a trust company or a bank and trust company in its trust department "may establish a pool or fund of bonds secured by mortgages or other securities purchased solely with funds of estates held by it as fiduciary." The investments must be legal investments for trusts under the state law. The bank shall apportion fractional undivided interests in the pool proportionate to the contribution of each trust to the pool. These interests can be sold only to other trusts and a clear record of the transactions must be kept. A pool may be established in any single bond secured by mortgage. In Vermont a trust company "may associate together for common investment the funds of individual trusts if the terms of the trust do not prohibit such investment. Participation in and withdrawals from such common investment are to be based upon the total market value of the investments at the time of the transaction.

It is generally admitted by trust officers that some of the laws on common trusts so far enacted are much too broad and others much too narrow. The New York act is commonly regarded as the model so far put on the statute books although there has been considerable objection to the \$25,000 "ceiling", and some other states are understood to be drafting legislation along the lines of the New York model.

"Price it within the means of the majority"

There was a time when power farming, despite its savings and advantages, was too much of a luxury for the "little fellows." The investment required was too high. Several years ago, Allis-Chalmers set out to correct this situation by bringing the benefits of power farming within the means of the majority. "It must sell at a price the user can afford," became one of the measuring sticks of every Allis-Chalmers machine.

The 2-plow Model "WC" Tractor is a significant example of improved performance — at a reduced investment. Modern design and increased efficiency enable the air-tired "WC" to work in the field up to 5 miles an hour . . . to plow 10 or 11 acres per day. This is more than the average farmer plowed with a 3-plow tractor on steel wheels. Yet . . . investment and operating cost were cut at least one-third with the Model "WC."

Allis-Chalmers equipment is economically sound. It is designed, built and priced for better farming and more farm profits!



Below: No longer need the way of the plowman be weary. With his 2-plow air-tired A-C tractor, this Future Farmer plows more than twice as many acres as he could with five horses.

AN INVITATION

To promote a better understanding of our mutual problems, Allis-Chalmers invites the correspondence of bankers on questions pertaining to the sale and financing of farm equipment.



ALLIS-CHALMERS

TRACTOR DIVISION—MILWAUKEE, U. S. A.

SHORT AND MEDIUM TERM Municipal Bonds Suitable for Bank Investment

BOSTON, MASS. Due 7-15-1938	1.48% Temporary Loan Notes
CHEROKEE COUNTY, IOWA Due 5-1-1949-50 (Opt. 5-1-1943)	Primary Road 2½s
CLEVELAND, OHIO Due 9-1-1943-49; 51-52	Refunding-Unlimited Tax 2½s
CLEVELAND, OHIO Due 9-1-1940; 42-52	Refunding-Limited Tax 2½s
FRANKLIN COUNTY, OHIO Due 3-15 and 9-15-1943-47; 49-52	Tuberculosis Hospital 2½s
GREENBURGH, N. Y. Due 5-1-1939; 43-45; 47	Various 2.70s
HUMBOLDT COUNTY, IOWA Due 5-1-1949-50; (Opt. 5-1-1943)	Primary Road 2½s
INDIANAPOLIS, IND. Due 6-1-1940; 42-46	Gas Plant Revenue 4½s
LA CROSSE, WIS. Due 9-1-1943-47	Bridge 2s
MARYLAND, STATE OF Due 6-15 and 8-15-1943-52	2½% Certificates of Indebtedness
MINNEAPOLIS, MINN. Due 12-1-1943-45; 47; 51-52	Sewage Disposal System 2.20s
PITTSBURGH, PA. Due 7-1-1940	1.60% Fully Registered Notes
WINNEBAGO COUNTY, WIS. Due 5-1-1943-45	Court House and Jail 2s
YONKERS, N. Y. Due 12-1-1948-52	Refunding 2½s

*Prices and descriptive circulars upon request.
Ask for Bond List KC-X7.*

HALSEY, STUART & CO. Inc.

CHICAGO, 201 South La Salle Street • NEW YORK, 35 Wall Street
AND OTHER PRINCIPAL CITIES

CANADIAN PACIFIC EXPRESS COMPANY
TRAVELLERS CHEQUES PAYABLE IN
UNITED STATES DOLLARS ARE REDEEM-
ABLE AT PAR BY THE NATIONAL CITY
BANK OF NEW YORK, NEW YORK.

CANADIAN PACIFIC
EXPRESS COMPANY

(Owned by Canadian Pacific Railway Company)

WASHINGTON BRIEFLY

Washington, D. C.

THE BANKS will have abundant opportunity to participate in the 9-cent cotton loans. The R. F. C. has announced that banks and other lending agencies may make these loans at 4 per cent interest with the assurance that if they wish to dispose of them prior to July 1 next the Commodity Credit Corporation will take them off their hands at par and accrued interest at 2.5 per cent. A condition is that the lenders pay to the C. C. C. 1.5 per cent interest on an annual basis on any part of the principal collected while the loans are held by the original lender. The arrangement gives banks an opportunity to place their money at 4 per cent during the rest of the current fiscal year with guaranty that the loans will not go sour. On the other hand the deficit borrowing of the Federal Treasury will be reduced by as much of the outlays in the cotton loan scheme as the banks undertake to carry.

* * *

INCIDENTAL TO THIS ARRANGEMENT it appears that the authorities concerned are very uncertain as to what their outlays will be. While the matter was under discussion in Washington, Chairman Jones of the R. F. C. was asked to estimate the net returns into the Treasury which could be expected from the repayment of outstanding R. F. C. loans of all sorts. The net amount estimated in the current year's budget is \$150,000,000. Up to September 9 the net outlays of the R. F. C. during the current fiscal year amounted to \$15,173,741 as compared with net receipts in the corresponding period of 1936 of \$219,579,420. Two days before, the R. F. C. reported net receipts of \$18,898,872, for the fiscal year, the difference marking the inroads on the Treasury of the new cotton aid program. Faced with the prospect of heavy cotton loans, possible corn loans, and similar outlays, the Chairman of the R. F. C. has declined to estimate the amount of net receipts his Corporation can turn into the Treasury.

* * *

THE DEPARTMENT OF COMMERCE estimates that labor will receive a larger share of the national income this year than ever before. Last year workers received \$41,250,000,000 out of \$62,056,000,000. This was 65.5 per cent or the largest proportion since 1929 when

BANKING

records of this sort were first inaugurated. This year it is calculated that the material increases in pay in the steel, automobile, construction, railway and, in fact, practically all the principal industries will raise the proportion to around 70 per cent of the total income of around \$70,000,000,000 now anticipated. Interest and dividend income is expected to be as large as if not larger than that of a year ago but the percentage of the total national income is expected to be smaller.

* * *

THE FIRST RESULTS of special efforts of national bank receivers in New York, under the supervision of the Comptroller of the Currency, to dispose of holdings of real estate by public auction are generally considered somewhat questionable. In the first series of sales held in New Rochelle, 105 pieces of property were offered of which 81 were sold. The amount received was \$581,000 against an assessed value of \$1,202,075. The remaining 24 pieces were withdrawn, to be sold at private sale as opportunity is offered. There was wide variation in the bidding. The authorities propose to continue the campaign.

* * *

LEADING NEW YORK CITY commercial banks have been lending money rather freely to public utility operating companies in recent weeks and considerable further expansion on this account later in the year is anticipated. Much of these advances is devoted to plant extension and improvements in anticipation of the time when a settlement of outstanding questions between the utility companies and the S.E.C. will permit the refunding of bank loans into long term obligations.

* * *

A UNITED STATES BUILDING AND LOAN LEAGUE committee reports that loans for home repair and betterment under the three year campaign of the Federal Housing Administration have aggregated \$578,500,000. The estimate includes repairs and remodeling under advances made by the H.O.L.C. on properties covered by its mortgage loans. In addition to the above, however, it is estimated that at least another \$100,000,000 has been spent for modernization and repair by financing institutions on properties taken over by them under foreclosure or voluntary transfer. Approximately 68 per cent of the modernization and repair loans were made by commercial banks.

* * *

UP TO SEPTEMBER 1 the R.F.C. had bought from the Public Works Administration securities issued to the latter by municipal and other authorities in the amount of \$501,371,121, thus passing the half billion mark. The R.F.C. had sold \$399,692,309 of these securities at a premium of \$12,094,224 besides collecting \$14,835,622 which had matured. The Corporation holds such securities for sale in the amount of \$86,843,190 and has agreed to buy \$99,388,400 as they may be issued hereafter. More and more of the bonds issued for public works under the authority of the P.W.A. are going direct to private and institutional investors. So far the issuers of \$59,593,100 of such securities have bought them up for refunding before maturity, paying \$327,325 for the privilege.

* * *

THE BANK OF JAPAN carries its gold at \$31 an ounce but sells it to the United States at \$35; and it has sold a lot of it—\$153,000,000 actually shipped to this country during the current year up to September 1.

* * *

THE EXCESS OF IMPORTS over exports of the United States for the first seven months of the year was \$144,819,000.

October 1937

Head Office: Montreal



AN Invitation TO American Bankers

THE BANK OF MONTREAL, with more than 500 branches throughout Canada, offers American financial men unsurpassed banking facilities for their Canadian transactions, and a valuable source of information on all phases of Canadian business life.

American bankers, interested in Canada, are invited to address their enquiries to the Business Development Department at the Head Office in Montreal, or to any of the offices in the United States.

Now in its 120th year, the Bank of Montreal has from its earliest days been an important factor in facilitating trade between the United States and Canada.

BANK OF MONTREAL

Established 1817

NEW YORK AGENCY, 64 Wall Street—A. J. L. Haskell, K. C. Winans, G. R. Ball, Agents

CHICAGO OFFICE, 27 South La Salle Street—J. G. S. Orchard, Manager

SAN FRANCISCO OFFICE, Bank of Montreal (San Francisco), 333 California Street, F. G. Woods, President

TOTAL ASSETS OVER \$800,000,000

GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL, OPEL, BLITZ—

foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK • BRANCHES IN PRINCIPAL CITIES



Remember

Tweedledum and Tweedledee?

Like the famous twins that Alice met in Wonderland, any two Bell telephones of a given type are exactly alike. This standardization applies equally to parts of switchboards and other apparatus. It is a prime reason why your service is kept so uniformly good and so free of interruption. It is evidence that Western Electric, as manufacturer and supplier of the Bell System, does its work well.



BELL TELEPHONE SYSTEM

THE W.P.A., after an investigation, reports that the re-working of placer gold mines in the West by unemployed persons has been a flat failure, approximately 28,000 small operators averaging returns of only \$72 each.

* * *

A.A.A. OFFICIALS in Washington report that in the farm aid-soil conservation program for 1936 they paid the United States Sugar Corporation of Florida, \$80,822 for "diversion of land from soil depleting to soil conserving crops and for soil building practices"; also, \$53,977 to the Equitable Life Assurance Society on Iowa land holdings. The Chapman Ranch, Inc., of Texas, received \$32,053; the Hotchkiss Estate Company of California \$29,781; and the Mendota Farms, Inc., of California, \$21,844. Thirty-two farm benefit payments exceeded \$10,000 each.

* * *

REAL ESTATE owned by the Government and held for sale as of August 1 was valued at \$495,272,243. The principal items were \$346,504,953 held by the H.O.L.C. and \$127,627,550 held by the land banks. The holdings of the P.W.A. were valued at \$21,021,979 and those of the Federal Farm Mortgage Corporation at \$20,195,930. Other holdings were below a million dollars for each of the agencies concerned.

* * *

SENATOR KING of Utah, member of the Senate Committee on Finance, plans to include a repeal of the capital gains taxes in his proposals for revision of the revenue laws in the next session of Congress. The September collapse in the stock market gives a fillip to the movement. The Government has lost a lot of revenue in recent months which it is not likely to regain when owners of securities hold on to them in a rising market.

* * *

PROSPECTS FOR A REVIVAL of the acceptance business to a volume more in accord with the increase in business activity are considered poor in the face of the latest efforts of the Reserve Board and the Treasury to maintain an excessively easy money market. The highest volume of acceptances outstanding in any month since December 1935 was \$396,000,000 last March, coincident with the prospects of higher interest rates. At present borrowers can do better in over-the-counter loans from the metropolitan banks.

* * *

UNDER THE revised rules of the New York Stock Exchange a trust company (CONTINUED ON PAGE 16)

The world's leading file manufacturer *asks bankers . . .*

ARE FILING COSTS TOO HIGH?



A RISKY question to raise? No, a very pertinent one at a time when banking and banking details are on the increase.

Remington Rand, with more than 44 years of specialized experience, believes that in most banks today filing costs *are* too high.

Why? Because filing responsibilities and facilities are scattered. Filing is haphazard . . . done at odd moments when free from other duties. Finding papers when they're wanted is a job for Sherlock Holmes. Equipment is not used to fullest capacity.

"Centralized Control" ***. . . the answer***

Remington Rand's suggestion, which has paid dividends in actual cash and time savings to hundreds of banks, is Centralized Control of Filing.

This means simply bringing together filing facilities under responsible and trained supervision.

Even distribution of filing "load" over your existing equipment is just one of the economies this system offers. Secretaries and clerks are relieved of filing responsibility. Floor space is saved—most important of all, valuable executives' time is saved.

Phone or write

You can easily switch to Centralized Control of Files without interrupting business, quite likely without buying a single extra piece of equipment at this time. The nearest Remington Rand office will be pleased to show you how this simple plan operates and what savings you may expect. Phone now or write Remington Rand Inc., Buffalo, New York.



DOUBLE Safety for Every Check!

Lamson Pneumatic Tubes virtually put your bookkeeper at your teller's elbow to help him make *safe* decisions on all questionable checks.

The teller inserts the check in a handy Lamson Dispatch Tube. It is whisked to the bookkeeper—quickly and silently. The bookkeeper *double-checks* it for every detail . . . makes sure the money is there to cover it. Verifies date and signature.

This cuts down mistakes because *two competent men* have seen the check and actually verified it.

It is back again to the teller before the money is counted a second time. The customer need never know that the check has been questioned.

This is only one of many ways that Lamson Tubes speed up paper work. Investigate them for your own business properties and as a matter of business service to your clients.

● Send the coupon today for our free tube booklet, "Wings of Business."

LAMSON

*Pneumatic Dispatch
Tubes*

Put Your Bookkeeper at Your Teller's Elbow



THE LAMSON CO., INC., Syracuse, N. Y.

Send me a Free Copy of your Pneumatic Tube book, "Wings of Business" without obligation.

Name

Firm

Address

(CONTINUED FROM PAGE 14)

or banking institution having adequate resources, experience and facilities for handling corporate trust business is required as trustee of mortgages, indentures, and deeds of trust of bond issues before the latter can be listed upon the Exchange, and where state laws require an individual as trustee a bank or trust company must be named as co-trustee. This is in line with policies inaugurated by the S.E.C.

* * *

FRENCH FRANCS in mid-September reached a 10-year low at 3.3775 cents,—and that, too, in a depreciated dollar. So far as francs are concerned the tripartite gold agreement cannot operate successfully for the simple reason that the French government is no longer able to do its part in maintaining a value which really is not there.

* * *

IT IS CONSIDERED somewhat doubtful if Congress will take any action at its next session to relieve banks in some of the states from the embarrassment of a conflict of Federal and state legislation. The Banking Act of 1935 which prohibited the payment of interest on demand deposits excepted deposits of public bodies such as states, municipalities, and school districts, as well as deposits of savings banks and trust funds, but the exceptions were good only up to August 23. Where state laws require the payment of interest on deposits of public bodies the conflict of legislation is plain. During the past two years 17 states enacted legislation meeting the requirements of the Federal act, six other states provided for partial compliance, 18 states required no action and seven states are yet to act. In most of the latter the conflict is temporarily avoided by regarding these public deposits as time deposits but the dodge cannot be worked indefinitely.

* * *

MANY NEWSPAPERS are urging state superintendents of insurance and the insurance companies to reduce the rates of interest charged by the latter on policy loans from the customary 6 per cent to a rate more in line with those on bank loans. Even at the present time approximately one-eighth of the total assets of the leading life insurance companies are represented by policy loans drawing 6 per cent as compared with a theoretical return of from 3 to 3½ per cent in earnings for the policy holders on all assets.

GEORGE E. ANDERSON

BANKING

Punched Cards will increase your **TRUST ACCOUNTING** information *without increasing accounting costs*

Bank executives and trust officers interested in keeping well ahead of the increasing demands for detailed information should investigate the punched card method of accounting.

The International Electric Bookkeeping and Accounting method enables executives to obtain automatically, at high speed, and at minimum cost, practically every report, statement, and schedule required from accounting records. Maximum information regarding each holding is currently available. Only one recording of a transaction is made. This recording, when authenticated, is posted mechanically to every record affected. The number of separate records is substantially reduced. Daily work is up-to-date, and your accounts are at all times in proof.

Prominent banks and trust companies, making profitable use of this accounting method, are able to supply the increasing amount of information required by clients, by taxation and other governmental authorities, and by their own operating divisions.

Find out what punched cards can mean to your organization. There is an International representative in your vicinity who will be glad to give you full information without obligation. Make a note to get in touch with him today.

Investigate these Important Advantages

1. Finished reports, statements, and schedules — containing any or all of the account and security information recorded in the cards — obtained automatically from the accounting records.
2. Automatic machine action speeds up routine work, allowing more time for service to clients.
3. All necessary entries are made from one recording of a transaction.
4. Small personal trust accounts handled at a profit.

INTERNATIONAL BUSINESS MACHINES CORPORATION

General Offices:

270 Broadway, New York, N. Y.

October 1937

Branch Offices in

Principal Cities of the World

BUILDING 100% RENTED

after installing

Carrier Air Conditioning

System to provide Year 'Round Comfort proves Sound Investment for Banco Mexicano, S. A., Mexico City



① "Brr! IT'S COLD!" You think of Mexico as being hot—but even in August the mornings are chilly—and it's necessary to have quick, clean, healthful heat. So the Carrier Air Conditioning System in the Banco Mexicano provides heating, ventilation and humidification as well as summer comfort.

② MODERN! From the stained glass windows to the inconspicuous Carrier grilles in the ceiling, the main floor of the Banco Mexicano represents the latest in architectural design. And customers and employees alike, appreciate the year 'round comfort provided by the Carrier System.

③ DIRECTORS' ROOM, showing the method of installing Carrier grilles in the walls. Not only the bank offices, but the 72 rental offices as well, are Air Conditioned by the Carrier System—and are constantly rented. The cost? Writes the Bank Manager "... the maintenance of the System is quite economical, corroborating what you guaranteed to us."

Pays Dividends 12 Months a Year— Carrier Air Conditioning

USERS of Carrier Air Conditioning invariably consider it as necessary in winter as in summer!

In Philadelphia, for example, 72% of the tenants occupying the Philadelphia Savings Fund Society Building reported less fatigue working in the clean, healthfully-heated, and healthfully-humidified atmosphere provided by the Carrier System. 82% reported fewer winter colds.

In the Northern Trust Company, Chicago, where Carrier Air Conditioning maintains a uniform temperature of 72° with the desired humidity, the management reports, "... the health and efficiency of our employees has shown a decided improvement."

And from Phoenix, Arizona, Thomas Clements, Vice President of the Title & Trust Corporation writes, "... we believe the health benefits are even greater in winter than during the summer. If you stop to think of the time lost through colds, and realize that most of this can be avoided, you will find air conditioning an important factor. Especially as the janitor work is very much reduced—as is also the damage to decorations and wall finish."

Get the complete facts about Carrier year 'round Air Conditioning today. You'll be pleasantly surprised to learn how easily and how reasonably your system can be installed.

CARRIER CORPORATION,
Syracuse, N. Y., Desk 936

Please send me "Air Conditioning in Your Bank Will Bring 9 Advantages."

Name.....

Bank.....

Address.....

City.....





More Than Talk About Public Relations

I. Using Bank Services To Build Good Will By C. DELANO AMES

IT has long been axiomatic among the older members of the Financial Advertisers Association that, irrespective of the excellence of the formal addresses and papers of convention sessions, one of the most fertile sources of helpful information at the annual meeting has been the so-called "bull sessions"—informal gatherings where delegates come together casually and swap experiences and argue the merits or the disadvantages of various policies and practices.

At the Syracuse convention the effort was made for the first time to translate the casual nature of these discussions to one of prearrangement and yet retain the value of their informality and frankness. It was a bold experiment and one which even its promoters fostered with no little misgiving. This writer can, however, bear witness to the complete success of the endeavor at the meetings devoted to the discussion of commercial banking problems in their effect upon public relations and the development of business, and reports from the other group meetings, covered elsewhere in this summary, indicate the complete success of the entire venture.

COMMERCIAL BANKING DISCUSSION

IN the commercial banking group, which was presided over by Harold P. Klein, assistant vice-president of the Iowa Des Moines National Bank & Trust Company, the discussion was divided into four groups: pay-as-you-go checking accounts, the central information file, business development and consumer credit through personal, automobile purchase, equipment and home modernization loans. The discussion continued through the afternoons of three consecutive days and was attended by a group varying from 50 to 75 persons.

The initial discussion of pay-as-you-go checking accounts was conducted by Jacob Kushner, assistant secretary of the United States Trust Company, Paterson, New Jersey.

The comparative newness of the pay-as-you-go checking account, both as to time and, in consequence, the relatively small number of institutions which have as yet adopted it, gave to the subject a freshness and keenness of interest which maintained an active discussion throughout the entire afternoon. While, in the circumstances, the discussion could hardly be of a conclusive nature, it was none the less

thoroughly informative and appeared to indicate a very definite trend.

The pay-as-you-go checking account was defined for the purposes of the meeting as a checking account in which the depositor is required to carry no minimum balance further than that sufficient to cover checks issued and upon which the bank receives compensation by a charge against specific transactions.

While only a small proportion of the institutions represented by those present had installed this type of checking service, they were widely separated both territorially and as to size of the banking institution and of the community which it served, a fact that gave added significance to the apparent similarity of their experience in a number of directions. Furthermore, their own individual experience was supplemented by a survey prepared by a producer of material used for pay-as-you-go accounts out of the collective experience of its clients.

That there exists a public need and a demand for this new kind of checking account appeared evident from both sources, and it was strikingly brought out by the fact that, without exception, the persons opening such accounts were found in a very large majority of cases to be entirely new customers who had previously had no connection with the bank and no checking account elsewhere. In no case had the installation of the new service anything more than a negligible effect on the regular checking accounts already on the books.

This fact indicated, in the general opinion of those who expressed themselves, that this new type of checking account service was bringing the banks which used it into contact of a helpful nature with an entirely new section of the public. This, then, gave to the pay-as-you-go checking account a very definite social significance and value in the field of public relations. Conversely, if the public needed and wanted this service, then the banks also needed it as an instrument for closer contact and better relations with a larger group of the people of their communities.

Comparison of experience by institutions using the pay-as-you-go checking accounts agreed that the mortality

among such accounts amounted to from 7 to 15 per cent. Practice varied in making charges. Some charged five cents per item and others ten cents. Some charged against checks issued only and others charged against items of both issue and deposit. The majority, however, appeared to favor the five cent charge against checks issued only, with no charge against deposits, in spite of the fact that all seemed in agreement that general experience had shown one deposit made for every two checks issued, approximately.

In one city of about 300,000 people, a bank which had installed a pay-as-you-go service made a survey of 200 of its accounts in this department which showed an average of 13 checks issued monthly per depositor. As this finding went unchallenged, it appeared to approximate the experience of the others present. A like situation met a statement to the effect that, in another institution elsewhere, the average balance per depositor in the pay-as-you-go accounts amounted to about \$70. A statement was also let go unchallenged that overdrafts had been more than expected in spite of a charge of one dollar in each instance.

SALESMANSHIP COMMENTARY

AN interesting sidelight on the psychology of the pay-as-you-go checking account was brought out by one institution which found, upon inquiry, that many persons preferred to pay the per item charge even when, in some months, the aggregate of these charges amounted to considerably more than the established service charge on a regular conventional checking account. This was felt to indicate that when the banks originally established their service charges, they did such a wretched selling job as permanently to antagonize large numbers of people against the whole principle of minimum balances.

The final impression left by the discussion, which was actively carried on for more than two hours, was that this new type of checking account service does have a distinct social significance, that the response to date does show that the public needs and wants it and that, therefore, from the standpoint of public relations, the banks also need it both to bring them into better relationship with greater numbers of people and also as an effective instrument of competition with postal money orders.

At the same time, the impression was also clearly given that, since the pay-as-you-go check has been in existence for so short a time, it is still too early from an operating viewpoint to speak conclusively as to its eventual practicability as a profitable bank service, even though developments thus far point in that direction. The consensus seemed to be that no proper estimate of it in this respect could be estimated without at least a year and a half to two years of experience on the part of any institution undertaking it.

THE CENTRAL FILE

THE session on the following afternoon opened with a general discussion of the central information file under the leadership of Stephen H. Fifield, assistant vice-president of the Barnett National Bank, Jacksonville, Florida.

A question by the chairman brought out the fact that only about half of the institutions represented had central file installations of the kind proposed for discussion, viz., a file of all customers of the bank showing exactly what departments, offices and services were being or had been used by each of them, with the possible exception of Christmas Savings Club and other special savings club depositors. This appeared to approximate the proportion for the entire

membership as revealed in a report of the research committee.

The discussion developed a number of interesting points. First, it brought out the fact that in practically every case the central information file is necessarily a duplication of other files maintained in the several departments, and is used for general reference only, it being the general practice to clear through the central file for names and addresses and for the departments, offices and services which a customer might be using, and then to obtain whatever detailed information might be needed directly from those departments or offices.

TOO MUCH DETAIL

ONLY one bank represented at the session had formerly had a central file and later discontinued its use. Discussion brought out that the difficulty had been one which had been common in the early days of over enthusiasm for central information files, namely, an effort to make the file a repository for all kinds of detailed and changing data, such as average balances, amounts on loan, members of family, etc., with the result that maintenance and operation of the file became such a costly and burdensome task that it far overbalanced its usable value.

There appeared no semblance of uniformity with respect to responsibility for the central file. In some banks the new business department maintained and ran it. In others it came under the credit department and in still others it was either operated as a general service along with the correspondence files or added to the duties of some other unit of the institution.

With the one exception already noted, it was the general and very positive opinion of those present, whose banks maintained a central file, that the file was indispensable to their efficient operation. And in the course of this particular discussion, the point was made that the central file's usefulness was primarily as an operative adjunct rather than as an aid to business development.

OPERATIVE USEFULNESS

THIS was of especial interest in view of the fact that, ten years and more ago, the central file was advocated mainly as an instrument for the new business department with very little emphasis upon its operative advantages. While it is, of course, useful to the new business department for the building of certain lists and for reference to individual customers and corporations, the ratio of use appears to be about 75 per cent operative and at most 25 per cent for business development.

A further change brought about by time and use was shown to have been a gradual shift from various trick filing devices with sundry gadgets for selecting this or that group of customers to a more simple form of individual reference file, one bank even reporting the use of a loose leaf ledger system.

From the central information file the discussion passed to new business development under the guidance of Gerald W. Wickland, assistant cashier of the Wells Fargo Bank and Union Trust Company, San Francisco.

Here a very interesting development was made patent. Whereas a dozen years ago much emphasis was placed upon the employment of new business solicitors, the use of premiums in some cases, intensive new business campaigns, employee contests and other methods which might have been called high pressure, present opinion, as expressed at this

meeting, generally discounted such procedures. New business efforts, according to most of those who expressed themselves, was primarily a matter for the officers of the bank, and any scheme which might smack of high pressure salesmanship was frowned upon.

One representative expressed the new business policy of his bank as an endeavor, through personal contacts, advertising and other means, to make his institution the second choice of non-customers in his community, in order that, when occasion arose for a change of banking connections or for an additional connection, his bank would be favored. To that end every effort was made to encourage the non-customer in his established connection and never to seek to unsettle it. This gave confidence to the non-customer and certainly earned the goodwill of competing banks.

Emphasis was placed by a number of delegates upon the value of officers' calls upon present customers both as a feature of customer relations and for new business leads. In

this it was shown that the procedure was of value not only directly but also indirectly by bringing about notable changes in the officers' mental attitudes by the necessity of mixing with the customers in their own plants and offices instead of in the bank. It appeared that a number of banks represented required calls to be made by the various officers and a report of all calls periodically at officers' meetings.

Considerable time was given to the discussion of new business efforts by employees. Here again such things as new business contests and high pressure methods came in for severe criticism. While a number of methods, whereby employees, through regular compensation for new business and "honor roll" credit for their accomplishments, were described as in successful use, the general feeling seemed to follow a delegate who stated that the policy of his institution was to make its employees new business minded in their customer contacts, but that it did not want them to be active salesmen in dealing with the persons whom they served.

II. Developing Trust Business

By ALBERT JOURNEYAY

"It is a difference of opinion," remarked Mark Twain, "that makes horse racing." It was an honest difference of opinion on many of the subjects submitted for discussion at the Trust Development Round Table at Syracuse which caused them to be noteworthy both from the standpoint of the interest generated by the discussions and the helpful knowledge gleaned therefrom. Following is a brief digest of subjects discussed.

The discussion on "Advisability of Solicitation of Trust Business by Official Staff" was led by John W. Remington, vice-president, Lincoln-Alliance Bank & Trust Company, Rochester, New York.

The discussion developed that (a) the bank staff could and should be a vital factor in influencing trust business to our institutions; (b) that the staff's most valuable contribution to such development would extend to supplying the trust executives or new business departments with a list of sound prospects, putting trust men into direct contact with desirable prospects, and influencing those prospects with whom the officer has close personal contacts to use the service of the trust department.

It was generally conceded that with rare exceptions the banking department officers, and in many cases the administrative officers of the trust department should not be expected to go beyond the point of favorably introducing the prospect to the trust man. From that point on, the actual closing of the business, preparation of the estate plan, and consultation with attorneys were steps distinctly within the province of the trained trust salesman. The head of a leading trust business department stated that in his institution the administrative trust officers were kept entirely out of the new business field because in numerous instances administrative men, untrained in the technique of sales procedure, had spoiled many prospects. The new business department with a trained sales force handled all selling.

Opinion was unanimous that while staff cooperation in paving the way for solicitation was desirable, it could best be carried out effectively when supported by the executive head of the bank and with pressure constantly exerted to maintain the effort. Without this the plan would soon disintegrate. An example was cited by a new business manager who had served under two administrations. The first president was an

enthusiastic supporter of the trust department and insisted on complete staff cooperation in directing new business to the trust department. Under him the staff annually directed many millions of dollars of estates and other trust accounts to the department. His successor was not interested in staff cooperation, withdrew the pressure, and new business from that source is now negligible.

Opinion was divided as to whether better results accrued from assigning to each officer a definite number of prospects to be contacted at the officer's convenience or whether it was better to allot a half day each week during which the officer would contact as many prospects as possible.

A LARGE BANK'S EXPERIENCE

THE representative of one large institution reported that it had tried many plans, that the most effective was to assign one morning a week to each officer who used the time to contact a predetermined group of prospects. A Canadian institution reported that on each Tuesday the current trust prospect list was read before a meeting of department managers and prospects assigned to those having logical contact. The following Tuesday a report on each was expected and almost invariably made.

The disadvantages of direct solicitation by the staff were summed up as:

- (1) At least half were not sales minded or sales trained.
- (2) Few aside from the trust department had more than an elementary knowledge of trust service.
- (3) Primarily concerned with own department. Trust department of only incidental interest.
- (4) Lack of time to be effective.
- (5) Bank officer's average call is a contact call, seldom a sales effort.
- (6) Selling is distasteful to most administrative men.

The advantages were:

- (1) In some cases the personal contact of officer with prospect would be the major influence in attracting the business.
- (2) Outside contacts broadened administrative man—made him more effective inside.

(3) In banks without full time solicitors staff cooperation was the only way possible to secure personal sales effort.

(4) It does develop new business. One trust officer announced that over \$700,000 of new trust business was brought to his department in 1936 by bank junior employees.

(5) It offers a source of contact with desirable trust prospects both within the bank and without. Much over-the-counter business originated in this manner.

In reply to the question regarding cooperation from directors, several participants in the discussion estimated that perhaps 50 per cent of the board were potentially excellent cooperators, especially valuable in contacting people of large wealth. Instances were cited where directors had helped sell their business associates, people of large means, and had also proved fruitful source of prospects. Like bank officers, directors should be expected to point out the service needed, to sell the prospect on the capabilities of the trust man but should not give technical advice.

WHAT IS DESIRABLE BUSINESS?

THE importance of educating both staff and directors as to what constitutes desirable trust business was emphasized. "Trust business", said one speaker, "must be selective. We must seek clean business, sizeable business and permanent business and seek only business that the department is capable of handling".

"Trust departments must equip themselves to handle small trust business", said one speaker. "If we fail government may be expected to establish an agency to do this and that agency may later invade the field of large estates." The public administrator in New Zealand was referred to as a case in point.

"How to Obtain the Cooperation of Other Bank Officers in Furnishing Prospects and Assisting with Contacts" was another subject discussed. The leader was Samuel Marsh, manager, new business, trust department, First National Bank of Chicago.

Mr. Marsh pointed out that in his institution a survey of the sources of trust business indicated that 70 per cent of new trust business came from present customers and that this field offered the greatest opportunity for solicitation.

The trust new business man should make it exceedingly

easy for the bank officer to supply the names of prospects. The trust new business man must be prepared to initiate a program of selecting names. He must be ready to lay a preliminary list of prospects in the particular department before the department officers and this list should be carefully culled before submission. The most effective form is to have the list typed on legal cap paper with space between names for comment. The list should be presented by the trust officer or new business manager in person and the department officer encouraged to separate the wheat from the chaff.

All detail work in gathering data on the prospect should be done by the new business department.

As an example of the value of the proper selection of prospects, it was pointed out that during the depression 80 per cent of the names on one prospect list were eliminated. Yet working on the remaining 20 per cent constituting the sound prospects the department produced the same number of accounts as in the preceeding period but the dollars and cents volume was more than double.

Daily information from other departments may be most helpful in keeping the trust prospect list up to date. For example, the bond department may be asked to report all sales of \$1,000 and up. Those above \$5,000 are specifically checked with the bond salesman as to his contact with the buyer. His other connections with the bank are studied. New savings accounts of substantial size are scanned and while some prospects are disclosed it has not proved as good a source as the bond department. New banking accounts are checked and officers of companies are checked for possible prospects.

In other departments similar checking goes on so that the list is constantly refreshed. Worth noting is the fact that solicitation of these new customers does not start immediately. They are left to season before their trust account is actually sought. The best time to get pertinent data about a new customer is at the start and this practice is followed even though solicitation is delayed.

Ways and means of cultivating and profiting from officer cooperation were again brought out, including the importance of keeping officers advised of progress made in soliciting prospects originating with them so that they might be informed of the progress made.

III. Promoting Savings Institutions

By JOHN J. McCANN, JR.

HEREWITH are some random notes on the open forums of the Savings Division, Financial Advertisers Association, at the Syracuse convention.

"Watch the customer and not the competition" was the moralizing note arising from the opening discussion on the growth of competition in fields traditionally served by the savings bank.

Analysis of public needs and adjustment of policies and services to meet them was stressed by every delegate as the one and only solution to the competitive problem. Until the savings bank is equipped to offer comparable merchandise and equally extensive services, the problems of the advertising and new business executive will remain acute. Without these essentials the savings bank will continue to yield ground to credit unions, branch banking, instalment buying, Government agencies and every other service designed to fit public requirements.

The three-point adjustment necessary to meet the major forms of present competition, as acknowledged by delegates, is:

First: to establish a distinctive savings bank mortgage of which there is none adequate for the present market, this mortgage to be generally adopted and promoted by all savings banks. It may combine the best features of the F.H.A., providing a convenient plan of amortization at an attractive rate of interest.

Second: enter the personal (character) loan field as a source of profitable employment for thrift funds and a legitimate service to the community, the purpose being to reach every class of borrower and check the activities of those companies which seem intent upon keeping good credit risks sold to the limit.

Third: inaugurate the split-interest rate as an inducement for systematic building of deposits.

Withdrawal as well as deposit is the unique feature of an industrial savings plan conducted by a Massachusetts savings bank in a factory employing 3,500. On pay days part of the paymaster's office is converted into banking quarters with three tellers and an officer for consultations. Salaried workers are allowed full time for such business as they may have, while piece workers use the facilities on their own time. In many instances, however, one worker will transact the business of several of his associates, this being particularly useful to employees in departments situated at some distance from the paymaster's office. Such an esprit de corps is a healthy condition among factory workers, and by this and other influences of the plan the management considers itself well repaid.

Special savings clubs for Christmas, vacation and taxes are encouraged by the insertion of enrollment signature cards in all pay envelopes two weeks prior to the opening of the club. Signed cards are collected and sent to the bank where passbooks are made out and returned for delivery to men on their jobs by the paymaster's force.

A "tuck-away" envelope budget system, attractively bound in red leather is sold at half actual cost to employees. This device has proved very popular and is considered a great stimulant to saving as well as an efficient guide to money management. Other promotional activities are the distribution of home calendars to every employee and the effective use of factory bulletin boards which the management makes available to the bank at all times.

Within a comparatively short period of operation this plan is responsible for the issuance of more than \$3,000,000 of savings bank life insurance and the collection of well over \$1,000,000 in deposits.

It was pointed out that under present industrial conditions, which more and more favor the worker, aggressive institutions may find many opportunities of developing relations such as the above.

PERSONAL SOLICITATION

DESPITE the aversion which many banks hold for any plan of personal solicitation of savings accounts, certain values must be recognized. On the whole, it was reported that bank representatives are not classed by the public as door-bell pushers, but are respected and welcomed in the majority of homes.

In stating the case, a spokesman for a large metropolitan savings bank which has championed personal solicitation for some years, pointed out that since every new business executive recognizes that the general public is hesitant in asking questions and taciturn in lodging complaints, personal contact, preferably on the public's own ground, is a necessary adjunct to normal banking relations. In support of this view many interesting experiences were cited.

This institution requires call reports on every interview. These provide a daily check on the work of men and women in the field and in addition keep the bank well informed on public sentiment. All representatives are salaried employees thoroughly competent to handle any situation which might arise in contacts with the public, particularly on the score of correcting false impressions. Legitimate complaints receive from the president an apologetic note which always has a soothing influence. Reports affecting different departments are routed immediately to department heads. The advertising record attained by the institution is attributed largely to the fact that these call reports reveal all weak points. In view of these services the solicitor is no mere

vendor of savings accounts, but rather a pilot of banking relations. Under this plan savings accounts are not sold, but are encouraged for whatever value they may hold for the prospect.

Recent analysis of several blocks of 1,000 accounts of both regular and solicited classes showed deposit activity and mortality in favor of solicited business.

Successful merchandising of the "I. O. ME" plan of saving was reported by its sponsor and offered as an effective means of building new accounts. Simplicity of operation plus a well-developed promotional program of newspaper, direct mail and counter literature have resulted in the enrollment of several thousand school teachers and office workers within a short period.

Briefly, each depositor sets a goal of regular monthly deposits and contracts (with himself) to fulfill the schedule. Each month the new business department bills the "I. O. ME" members for the amount called for by the monthly schedule. The psychological effect of "I. O. ME" billing serves more than as a simple reminder, as account activity has proved for this institution.

SAFE DEPOSIT SELLING

ACCORDING to a well-known savings bank merchandiser, the most successful device for selling safe deposit boxes was an especially constructed display operated by an electric eye. As the prospect approached an otherwise harmless looking safe deposit box exhibited on a table in the lobby of the bank, he broke the electric beam which caused the lid to open, setting in operation a concealed phonograph which gave him a sales talk.

This was later replaced by what appeared to be an ordinary looking glass. When the prospect, usually a woman who couldn't resist an opportunity to powder her nose, approached the glass, it would apparently disappear and instead of a reflection of a nose there loomed positive selling arguments for safe deposit boxes.

Still another device took the form of a miniature cottage. As the curious peered into the entrance he read "Are Your Valuable Papers Safe in Your Home?" As this faded the ray of light switched to one of the upper windows on which was lettered "They May Be Stolen!" A few seconds later the beam illuminated an adjoining bedroom in which appeared a stalking burglar. A brief interval turned the beam to another window displaying the warning note "They May Be Burned!" As the white light faded the room would apparently take fire. Then at the front entrance would appear a reproduction of the bank's vault with the message "Your Valuable Papers Will Be Safe Against Fire, Theft or Loss in Our Safe Deposit Vaults."

HUNTING LOST DEPOSITORS

THE annual treasure hunt for lost depositors which has received greater impetus by the New York State law affecting such accounts, now adds a new medium to the old methods of checking directories, surrogate court records, the filing of wills etc. The success of a large metropolitan savings bank with display advertising calling public attention to the required listing of unclaimed and abandoned savings accounts was found to be an effective and profitable means of stimulating dormant dollars.

A United Press story on the activity of the bank gave national publicity. Practically every local newspaper and many national magazines cited the unusual action of the bank as deserving of public appreciation and good will. Many institutions have since adopted similar methods.

British Branch Management

By NORMAN CRUMP

THE rival merits of the unit banking system of the United States and the branch banking system of Great Britain have often been discussed on both sides of the Atlantic.

The purpose here is not to discuss these general questions, but to describe very briefly some of the accounting problems created by the branch banking system.

Take one of the big British banks, such as Lloyds, the Midland or the Westminster Bank. It consists of the head office, where certain of the assets of the whole system are concentrated; and one thousand and more branches, each holding its own till-money, taking its own deposits from its customers, and making its own advances (subject to sanction by its head office). The accounting system must allow for this subdivision of function, and must also enable those in control at head office to form some idea of the position and working results of each branch. It is really a question of properly splitting assets and liabilities, profit and loss between head office and the branches.

Let us take first the principal items in the published balance sheet for the bank as a whole. On the liabilities side, capital and reserve fund are an attribute of head office (which is a convenient term for the bank as a whole), while deposits are mainly lodged at the branches. On the assets side, cash consists partly of currency and partly of the bank's balance at the Bank of England. The former represents the branches' till-money, but the latter is an attribute of head office. Branches in the few towns where the Bank of England has branches hold local balances with the Bank. Call and short loans, investments, premises and practically all bills discounted belong to head office. Advances, and also a few bills, belong to the branches. Finally, in each branch's weekly balance sheet, compiled for internal use, there will be items representing accrued earnings and expenses.

A SAMPLE SHEET

LET us now take a branch weekly balance sheet, which is drawn up and forwarded to head office each week. This will be much as follows:—Liabilities: deposits and current account balances; accrued earnings. Assets: till-money; discounts (very small); advances; accrued expenses; balance due by head office.

The excess of liabilities over assets is offset by a balance due from head office, and in the head office accounts the total of all these balances due to branches is offset mainly by the assets held at head office. A few branches will have loans in excess of deposits, and then they will show a balance due to head office.

It is customary for British banks to issue semi-annual balance sheets. Immediately after the close of business on June 30 and December 31 each branch forwards a statement of its position. The first step is for each branch to transfer its accrued earnings and expenses to head office, that is, from the branch balance sheet to the main profit and loss account; and an equivalent adjustment is made in the balance of each

branch due to or by head office. This starts the branches off with a clean account for the ensuing half year. Head office can now proceed to calculate the profit and loss account for the whole bank, but this is only published on December 31.

Head office now compiles a profit and loss statement for each branch. This is only for information and guidance, and is outside the accountancy system of the bank and its branches. This statement begins with the half year's earnings and expenses of each branch:

<i>Expenses</i>	<i>Earnings</i>
Rent, rates and taxes	Interest received on advances
Salaries	Discount received on bills
Stationery	Commissions
Heating and lighting	
Postage	
Miscellaneous	
Interest paid on deposits	
Immediate profit	

So far the immediate profit earned by the branch has been calculated, but this is by no means the final profit. The next stage is to allocate to each branch its share of the earnings of head office assets—call and short loans, discounts and investments—and to charge against each branch its share of the general administration costs of the bank. In arriving at the appropriate size of these items, account is taken of the average rate of interest earned during the half year on the head office assets and the size of the average weekly balance due by head office to each branch over the whole half year. These calculations are the basis of the amount to allow each branch in respect of earnings on head office assets and the amount to charge each branch for its share of general administration expenses.

Next, each branch is debited for bad and doubtful debts incurred during the half year and is credited with any recoveries it had achieved in respect of debts previously deemed bad or doubtful.

The final profit and loss account is prepared for each branch as follows:

<i>Debit.</i>	<i>Credit.</i>
Bad and doubtful debts.	Immediate profits.
	Share of earnings of head office assets, less share of general administration expenses; (if branch is in debt to head office, this item is replaced with interest charge on debit side).
	Recoveries of former bad and doubtful debts.
Final net profit.	

It must be emphasized that these branch profit and loss accounts are external to the main accountancy system of the bank and do not give rise to any entries in the main books of account at head office or the branches. Their main purpose is to afford a very valuable guidance of how each branch is faring, especially when the results of each branch are compared over a period of years.

Good Hiring Avoids Firing

By EDWARD N. HAY

THE office boy of today may be the department head of tomorrow, and the best way to insure the future strength of an organization is to select promising boys today. With each department head doing his own employing, there is less chance for a satisfactory result and little control over that result; hence the beginning of good personnel work is careful employment.

The advantages of centralizing employment in the personnel department are generally familiar. Initial selection is the responsibility of the employment division, but at the same time the department for which employment is being done should have the privilege of accepting or rejecting all candidates. The good employment interviewer soon becomes expert in selecting the right worker.

If a bank is not large enough for a full time employment officer, at least better results will be obtained by having all interviewing and initial selection done by one person. There will be an economy of time and the bank will avoid having several people interview the same applicant. Furthermore, the maintenance of a high standard of excellence in new employees can be better controlled if one person does the hiring. Favoritism and nepotism can be avoided and, above all, the chief executive can maintain a control over his employment situation.

Employment must not be regarded as merely a passive matter of selection of the best from among the candidates who apply for employment. On the contrary, it is an active search for persons who have just the right qualities necessary for each position. When business is brisk, good applicants are scarce and it will be necessary for the employment department to cultivate carefully the sources of applicants. An important source, if care is taken in judging the candidates, is present employees and customers. Also it will pay to keep in touch with employment agencies and schools.

The process of obtaining new employees involves several steps, among them being job analysis, or a study of the job to know its nature, and job specification, or a statement of what the job is and the requirements of the worker.

Selection or location of the qualified worker consists of four steps:

1. Application blank, for record of experience and education.
2. The interview, which is an analysis of the personality characteristics and a discussion of experience as shown on the application blank.
3. Tests or verification of skills, such as shorthand, spelling, typing, etc., and of specific qualities such as intelligence, clerical aptitude, etc.
4. References, including a personal investigation of the employee's family and neighborhood situation. Personal references are of little value and business references are usually of value only when personal inquiry is made. Letter responses are often valueless.

Another step is the submission of candidates to the department where the vacancy exists. In one large bank, candi-

dates are sent with a "bearer sheet" on which the department head indicates his interest in the candidate.

Choice of the candidate is made by the department having the vacancy, and the person chosen is employed by the personnel department.

Introduction to the job comes next. Care should be taken to explain to the new employee something about the company and the conditions of employment. A number of banks have excellent manuals for the new employee.

One eastern bank, after new employees have been at work for 60 days, requests the department head to express an opinion regarding their efficiency. This brings to the fore a question as to whether the employee is satisfactory. If he is not, it is timely to consider whether to terminate the employment or to apply other remedies. Another bank interviews the new employee after 90 days on the job. This also serves to get a line on any working conditions that may not be satisfactory.

GETTING THE RIGHT PERSON

DEMANDS of customers and employees that certain individuals, especially relatives, be employed is a troublesome question. Most banks have learned by experience that a policy of "reciprocity" does not pay, and it is the well considered opinion of most good personnel men that the only proper basis of selection is fitness for the job. However, if an employee or customer brings a likely candidate who meets the requirements fully as well as any other, it builds good will to employ that candidate.

One means for making sure that a person meets the requirements is the administration of various tests. Most large banks use standardized tests for determining a proper degree of proficiency in stenography and typing. A very few banks go further and use other tests including those for general intelligence, clerical aptitude, vocabulary and others. At least one bank that employs many inexperienced girls and trains them for machine operations of various kinds uses a test of hand and finger dexterity in order to eliminate those who lack this essential quality.

The cost of a good testing program is not great, but it is something that should be dealt with very carefully. Any testing program installed should have the approval of or be arranged by a competent industrial psychologist.

The employment interview is a very important part of a good personnel situation. Any intelligent person who gets along well with people and who has a well-adjusted personality can do successful interviewing. There is not much literature on the subject that is of value. Attention should be paid to making the applicant feel at ease. Tactful means should be used in getting information from the applicant; but giving information to the applicant should not be neglected. This would include information about the job, hours of work, compensation, etc. Many interviewers use a scale for rating the applicant so that for future reference an applicant can be intelligently reviewed and considered.

Business Loans—A Lively Corpse

NUMEROUS articles and pamphlets have appeared in the last several years emphasizing the view that investments have permanently superseded loans as the principal earning asset of commercial banks. Many bankers, yielding to this opinion, have curtailed their loan departments and expanded their investment research facilities. Since 1920, and especially since 1929, loans have been giving ground to investments. On the face of things, past trends certainly seem to justify both the curtailment of credit departments and the pessimism regarding loans.

In spite of the experience of the last few years, the writer challenges the view that investments will continue to dominate the earning assets of commercial banks. In fact, the essential contention of this article is that during the next few years, "business loans" will recover to the extent that they will again become the major earning asset of the banks.

The position of those who maintain that investments have permanently superseded loans as the principal outlet for banking funds is attacked on the grounds of (1) failure to recognize the ultimate effects of the new controls over banking, and (2) failure to evaluate properly the deceptive influence of a temporary abnormality. Since 1932 fundamental changes have taken place in our banking system. Commercial banks are now subjected to qualitative as well as to quantitative controls. However, it is in the qualitative controls that the arguments supporting a recovery in business loans are to be found.

Since recovery began, deficit financing, the temporary abnormality referred to above, has exerted until recently a deceptive influence on the trends of earning assets. It has had the effect of forcing the banks into investments on a large scale at a time when all the new qualitative controls over bank credit constitute forces tending in the opposite direction. As the importance of the temporary factor has reached its peak and is now on the decline, money market trends will be dominated more and more by basic forces which, although real, were shorn of their influence until recently.

The arguments supporting the contention that "business loans" will not regain their former importance are centered largely on the fact that the demand for such loans has been permanently reduced. The smaller demand is attributed to a number of factors, such as: faster transportation, shorter production processes, the unfortunate experiences of the 1921 panic, installment sales, etc. In general, these considerations sum up in the phrase "greater efficiency in the use of cash resources."

The above argument is not only weak in a number of cases, but it is actually misleading. If there is a declining need for bank credit, why is it that bank deposits and business activity continue to move together? Business organizations will always need more cash as business expands and vice versa. Larger payrolls, rising prices, larger inventories, more extensions of credit—these are the factors that increase the need for greater cash resources. Prior to 1921, these were the conditions that forced business men to borrow, thereby enabling "business loans" to maintain a dominating position in the earning assets of the commercial banks.

The plain truth of the matter is that after 1920 the larger purchases of securities and heavy loans on securities rendered it unnecessary for business men to borrow directly from the banks. Such purchases and loans created new bank deposits. These funds went either directly or indirectly into the hands of business men and business organizations. This is true because no matter how deposits are created, with minor exceptions they eventually get into the hands of business men.

With these points in mind, the issue narrows down to the following question: Assuming a continuation of recovery, how are the larger needs for cash on the part of business men to be met? As the new qualitative controls on bank credit represent an attempt to prevent past abuses, it is necessary to review briefly the past to determine just what the abuses were. Such a study will not only reveal the significance of the new controls but it will also indicate the effects such changes will eventually have on the earning assets of commercial banks.

SOME STATISTICS

THE reports of the Comptroller of the Currency show that deposits, loans, and investments increased at approximately the same rate from 1834 until the outbreak of the World War. After 1914 the relative importance of the various earning assets fluctuated considerably.

The member bank call reports show that total loans dropped from 77.7 per cent of total loans and investments in 1917 to 38.9 per cent in 1936. A study of the reporting member banks statements reveals that business loans suffered their greatest low in prestige during the 1920-30 period, largely because of the sharp rise in loans on securities. Loans on securities rose from 29.9 per cent of total loans in 1920 to 50.2 per cent in 1930.

For the purposes of this article, it is sufficient to take the interval since 1914 and divide it into the five periods: 1914-1920, 1920-1929, 1929-1933, 1933-1936, 1936-?. From 1914 through 1920, deposits, loans, and investments advanced sharply. Speculation in inventories and war financing were the major factors. However, through this period loans and investments expanded in about the same proportions. Yet it was during this time that both banks and the public at large became security-minded, as a result of the Liberty bonds.

The period 1920-1929 is much more interesting for several reasons. First, better data on banking trends were made available, making it possible to break loans down into business loans and loans on securities. Throughout this period, loans on securities became a much larger portion of total loans. Second, investments expanded faster than loans. These trends indicate clearly that both the banks and the public were more security conscious. Remembering the difficulties of the 1921 deflation, business concerns made the best of the demand for securities to free themselves of the need of depending on bank credit.

The experience of the 1920-1929 period is characterized by the word "speculation". Not only were bank funds used to finance speculation by the public but the banks also spec-

By G. OGDEN TRENCHARD

ulated heavily in bonds. The large increase in time deposits, gold imports, and increased borrowings at the Federal Reserve banks provided the cash reserves necessary to cover the commercial bank increases in loans and investments. At various times throughout this period, the Federal Reserve banks bought and sold Government securities. However, the partial quantitative control exercised by the central banks was inadequate to cope with the misdirection of bank funds into speculative channels.

The trends of the 1929-1933 period were direct consequences of the previous misuse of bank funds. The volume of bank deposits declined first as a result of the drop in security prices which necessitated the calling of loans. As business contracted, business loans did likewise. Later, people lost confidence in the banks. The subsequent demands for cash forced the banks to liquidate securities.

It is a natural phenomenon at the bottom of a business cycle for the banks to increase their investments to a small extent. At such a time the banks have large cash resources and the demand for commercial loans is small. Once recovery gets underway, business demands for credit should result in larger loans.

Unfortunately, what should theoretically happen and what actually has occurred cannot be reconciled by banking trends since recovery began. A new factor was injected into the picture which completely distorted the trends of earning assets.

If the more recent money market trends are analyzed in the light of the new banking legislation and the temporary character of the Government's influence, it becomes much easier to see why business loans will regain their former position of dominance in the earning assets of banks. This opinion is substantiated more clearly if the recovery period is divided into two parts: namely, April 1933 through June 1936, and July 1936 through July 1937.

From April 1933 through June 1936, a number of factors were working at cross purposes. For instance, new banking legislation established a high degree of qualitative control over bank credit. If not offset by other forces, the restrictions against the use of bank credit for speculative purposes would have confined any real expansion in earning assets to "other investments" and "business loans".

However, a new factor was injected into the picture which prevented what would have been the normally expected trends in earning assets. The banks were, for all practical purposes, forced to finance the deficit of the Government. An undervalued dollar and political instability in Europe precipitated a huge gold inflow; open market operations were an additional factor in expanding the credit base.

It is, however, the analysis of the second period, July 1936 through July 1937, that provides the real optimism in the outlook for business loans. Several new factors are responsible for the changed outlook. It should be noted that qualitative control over bank credit has been reinforced by the rule restricting commercial banks to the purchase of "quality" bonds. This ruling and the high margins on security loans, narrows the important outlets of bank funds which

will compete with business loans to the following: Governments, high grade bonds, and real estate loans.

The supply of quality bonds is low and their price high. The outlook favors some increase in new capital issues of this type, but it is more likely that institutional buyers will absorb most of the new issues. Real estate loans have never been a big factor in commercial bank earning assets.

The conclusion to be drawn is apparent: The only factor likely to prevent business loans from regaining their dominating position as an earning asset is a continuation of deficit financing through the commercial banks on a large scale. At present, conditions are working against this possibility. In the first place, the outlook rather favors that the Treasury will soon turn from a seller of its own securities to a buyer. The principal factors favoring this opinion are the operations of the Social Security accounts and the prospects of a balanced budget. Secondly, the unusually low yields on Government bonds are making bankers more reluctant to assume the risk of capital depreciation, which an increase in yields would bring. The increasing demand for commercial loans is also making bankers less eager to enter the investment markets.

RECENT TRENDS

SINCE the middle of 1936, the trends in the holdings of governments and other investments has been downwards. On the other hand, business loans have risen sharply. The important fact is that since July 1936 the owners of existing bank deposits have absorbed not only the new supplies of governments and quality bonds, but also the amount of such securities liquidated by the banks. Accordingly, the deficit during the last year, as well as the "new capital" bonds, were financed by private funds rather than by the creation of new bank deposits.

The *apparent* conclusions to be drawn from the above analysis are as follows: Over the next few years, the outlook favors a declining supply of Government securities. Retirements through a balanced budget and purchases by the social security funds will be the principal factors. So far the supply of new capital bonds of the investment type has been small. It will increase but is unlikely to do so for some time on a scale large enough to absorb the liquid resources of investors and investment institutions. Accordingly, commercial bank holdings of governments are likely to decline not only because of a smaller supply but also because institutional buyers will be forced to buy more governments in order to utilize their liquid resources.

The *tentative* conclusion of this argument is that loans will become again the principal outlet for bank funds. The outlook favors increasing business loans rather than security loans because the Government has no intention of permitting the existing credit resources to be syphoned off in the financing of a boom in security prices. Thus, with the importance of deficit financing passing, and the qualitative controls over bank credit in effect, the outlook favors a strong recovery in business loans.

It has been necessary to qualify these conclusions because they are predicated on the assumption that business will continue upwards for the next three to five years. This is essential because unless such a development takes place, there is little basis for anticipating an increased demand for bank credit. And more important is the consideration that unless business continues upwards, the Government may have to undertake another large scale program of deficit financing to take care of the unemployed.

How to Sell Escrow Service

IN comparison with other corporate trust activities, the escrow work of banks has never shown any appreciable growth. Neither has it been looked upon as an important source of income. The attitude of most banks towards escrows has been one of phlegmatic toleration rather than active solicitation. Escrows have been accepted to accommodate attorneys and certain customers, but have otherwise been ignored. Yet it is apparent that a well developed escrow department can be an important source of revenue. At the same time, it can serve as a good introduction to new customers.

The reason for this backwardness may be due to lack of acquaintance. The word "escrow" is meaningless to the great majority of people. Those who have heard of it have run across it in some particular situation and have neither a definite idea of what it is nor how it can be used.

Innumerable transactions cannot be properly handled without recourse to this type of instrument. Then there are times when it seems at first glance impossible to accept an advantageous proposition, but an escrow agreement may offer a solution. There are other times where an impasse is reached at the end of a long drawn out and laborious deal, and the creation of an escrow may determine success rather than failure.

The meaning of escrow has undergone considerable evolution, but at present it is generally applied to that form of transaction by which property or title to property is deposited by a first party with a stranger to be delivered to a second party on the happening of an event or the performance of a condition. Thus, an escrow is a contract between two or more parties with this essential characteristic — that there must be a stranger or third party who acts as stakeholder. This stranger is called escrow agent or depository, and holds the escrow property pursuant to the terms of the escrow agreement.

WHEN TIME IS A FACTOR

SINCE many transactions cannot be completed instantaneously, it is principally to provide for the factor of time that escrows are used. In the examples cited later it will be seen that often, where property is to be exchanged, the purchaser and seller can agree as to the terms of the exchange, but one or both is unable to make immediate delivery. In other instances the parties wish to make the exchange of property binding on both, but only on the happening of an event, such as the adjudication of a suit, the death of a person or the performance of an act.

The element of safety is also frequently a factor in the making of an escrow. It gives each party an opportunity to verify the quality of the property to be received by him on the exchange, as, for instance, that title is clear, that assignments are in proper form and that funds are collectible. In this way the possibility of fraud or error is minimized.

An escrow agreement must have sufficient parties, a proper subject matter, a consideration, and the parties must actually bind themselves to certain terms or conditions. It is essential that the deposit should be irrevocable, that

control of the deposited property pass beyond the hands of either the grantor or grantee and remain in the hands of the escrow agent until the performance of the condition or the happening of the event.

Thus, it has been held that the mere delivery of stock to a third party with written authorization to the depository to make delivery upon receipt from the purchaser of a stated sum within a stated time is not binding as an escrow (although it may be loosely referred to as such) unless there is a specific contract by which the seller binds himself to make delivery to the purchaser under stated conditions and in return receives from the purchaser a consideration for his agreement. Without such a contract, the depository is merely the agent of the depositor who may repossess the deposited property at any time.

Likewise, it has been held that since the deposit is not revocable at the mere will of one of the parties, the death or bankruptcy of one of the parties does not affect the escrow, unless, of course, such death or bankruptcy is specified as one of the conditions of performance. Nevertheless, the terms of an escrow can and frequently are modified when all the parties consent.

When delivery is made in escrow, title usually does not pass until the condition has been performed.

THE ESCROW AGENT

THE depository acts as agent of both parties — no more for one than for the other — and, according to some authorities, it is a special agency where the powers of the escrow agent are limited by the specific provisions of the agreement.

Since the escrow agent accepts his duties voluntarily and for a fee, he is responsible for the proper discharge of his duties. For this reason his experience in the handling of instruments of this kind and his financial responsibility are important, and it is most natural that the agent should be a bank or trust company.

It is essential that all the terms of the escrow be complied with to the letter, as merely substantial compliance may be tantamount to non-performance. Thus an attorney exercises great care in the drafting of an escrow agreement in order that all conditions may be clearly stated, ambiguities avoided and all contingencies provided for.

In the paragraphs that follow are several examples of escrows, illustrative of the many uses to which this instrument is put.

Options to purchase a security. An individual wishes to acquire over a period of time certain securities owned by another. The seller deposits these securities with an escrow agent in proper form for transfer under an agreement whereby the purchaser will acquire them from time to time upon payment of a determined amount. Where the purchaser has the right to acquire rather than an obligation to do so, in order that a real escrow may exist, there must be a binding option supported by a consideration.

Agreements to purchase property. The purchaser wants to acquire certain mineral rights, real estate, patents, patent

By MARC A. RIEFFEL

applications, etc., for which he wishes to pay by instalments over a period of time. In this case the property in question or instrument evidencing title to the property is deposited with an escrow agent in proper form for assignment, and while the purchaser makes his payments to the escrow agent, he may be given the right to enjoy the use of the property, even though he has not yet received title.

Real estate escrow. In California and other states the escrow is used very extensively in connection with the purchase of real property. The owner deposits with the escrow holder under an agreement such evidence of title as he may have together with a deed in sufficient form to convey his interest to the purchaser; the purchaser deposits the consideration with the escrow holder simultaneously; and the escrow holder is authorized to deliver the money to the seller and the deed to the purchaser as soon as a satisfactory policy or certificate of title has been obtained.

Purchase of property before final determination of consideration. Individual A agrees to acquire assets of B's company by purchase of its stock, but the two parties have not arrived at a definite understanding as to the value of these assets. An agreement is made whereby the assets will be appraised by an independent person and, pending the appraisal and consummation of the deal, the stock as well as the approximate amount of the consideration is held in escrow.

Separation agreement or divorce settlement. This type of escrow is not unusual in the case of separation to assure continued payments for the separate maintenance of the wife and as a safeguard against her contracting indebtedness in the name of her husband. In the case of a divorce settlement, an escrow may be used to assure payments of alimony until remarriage, support of minor children as long as specified conditions with respect to their upbringing are observed, or even in contemplation of the cost of divorce proceedings.

To perpetual control of a corporation. A group of men join in the organization of an enterprise and stock of the new company is distributed among them. It is feared that some of the organizers may wish to dispose of their stock or that because of death or bankruptcy the stock may change hands and it is felt that such a change in ownership may be detrimental to the business. An agreement is drawn up whereby each organizer deposits his stock with a depository who issues non-negotiable receipts. The agreement is binding for a period of time, allows each organizer to vote his stock and provides that in case of death or bankruptcy the stock will revert to the remaining organizers upon payment of a certain sum to the heirs or creditors of the deceased or bankrupt.

Deposit of stock by principal stockholders during period of distribution by underwriter. The principal stockholders of a corporation agree to have their stock held under an escrow agreement pending distribution of the stock by underwriters. This protects the underwriters against unloading on the part of these stockholders.

As security for a note. An individual may find it difficult to

borrow desired funds from a bank for lack of proper security. However, he may own any number of things, such as shares of stock in his own enterprise, patents, copyrights, jewelry, etc., which may appear to be sufficient collateral to a friend willing to make the loan. The borrower may feel that for his own protection he should not turn over complete control of the security to the lender. The security is deposited with an escrow agent who holds it until the note has been paid off or goes into default, at which time he turns over the collateral to the borrower or the lender as the case may be.

As security for a lease. Recently X was anxious to lease a furnished house to a prospective tenant, but found that he was unable to give satisfactory references and had no property in this state. X arranged to have the tenant deposit a certain sum in escrow as security for the performance of the lease. Upon termination of tenancy, the deposit was returned to him after deduction of damages to the furniture and cost of the necessary replacements.

As guarantee for performance or undertaking. X wishes to buy a certain building but only subject to alterations to be made by the owner, Y; or else the building is under construction and X wishes to buy it only subject to its completion. In this case X receives title to the property and pays the consideration to Y, but part of this consideration is placed in escrow to be released to Y only on completion of the alterations or construction. It is usually provided that the certificate of the architect or engineer, furnished to the escrow agent, will constitute sufficient evidence of completion.

As security against claims, suits, etc., on the purchase of property. The purchaser of patents, patent applications, trade marks, copyrights or movie rights may feel that he must protect himself against fraud or suits and injunctions in case of infringement or plagiarism. Therefore part of the purchase price is held in escrow for a stated period of time.

As protection against taxes and penalties. X has executed a long term lease on Y's property. There are large tax claims against the property which are disputed by Y. For his protection X requires that Y put up in escrow a sum sufficient to pay these claims and possible penalties in case they are found by the court to have been properly assessed.

As security under employment contract. Occasionally an escrow is created in connection with contracts of employment, particularly in the case of artists, actors, etc. One large broadcasting company recently entered into a contract with an opera singer to perform on a special program for a number of months and arranged that his compensation should be deposited in escrow pending his completion of the contract.

Disputed taxes. Frequently when an assessment of tax is disputed by a taxpayer who wishes to take the matter to court for determination, the Collector of Internal Revenue agrees to allow the taxpayer to deposit with an escrow agent a sum in cash or securities of a value equal to the amount of the tax involved pending adjudication by the court.

From these examples it will be seen that the scope of escrows is wide. Banks can facilitate the transaction of business and save their clients worry, risk and loss of time, by acting as escrow agent in very much the same way that they facilitate the exchange of goods and securities through their commercial credit and collection departments.

Escrow departments have not yet come into their own. But potentially the business is there and with larger volume and better handling, greater profits would follow.

Uncontrolled Instalment Buying

THE destructive side of instalment buying lies in its abuse and not in its healthy use. Those who feel that instalment buying interferes with their own markets, operations or services are opposed to it. They can, of course, find instances where a wage earner or salaried man has in ignorance, greed or gullibility signed up to make monthly payments in excess of his total monthly wage. Were this a universal or even a frequent practice, instalment selling would have disappeared long since.

There are few constructive commercial implements that are not in time and in turn converted to the exploitation of a market in unsound, unfair and unwise directions. Instalment buying is, indeed, no exception. Cheap articles are sometimes sold with a down payment equal to the original wholesale cost with succeeding monthly payments to cover selling commissions, overhead, to absorb losses that are high in such transactions, legal costs to escape the penalty of irregularities, and, finally, to provide a profit. The profit is either small or the business short-lived. The abuse is usually uncovered in time.

COSTLY CREDIT

AGAIN, the instalment price is put up unreasonably high over the cash price and the purchaser sweats out in monthly deductions from his wages this unconscionable mark-up, frequently returning the merchandise and forfeiting his payments rather than continue the galling yoke of the contract. What is the cost of such instalment credit? Here is a suite of furniture at a cash price of \$250—time price \$300, but requiring \$50 cash payment—to be paid out in 12 months. Fifty dollars, then, is the price to borrow \$250 for a year to be amortized at the rate of \$20.83 a month—20 per cent discount but on a receding balance. The rate is high, and in many cases far higher than this example. Payments must be made in the store. If the customer should be attracted by some novelty on the occasion of any of his 12 or more visits to make payment, the new purchases can be added to the contract. Often a family stays in debt indefinitely to the store by this means.

Repossession for failure to make a payment on the due date and the forfeiture of all the previous payments is just a dishonest practice of shysters who make more money on the resale program than honest merchants do on sound sales that are finally paid in full. Some finance companies of local operation follow these same tactics and make money enforcing the letter of the contract to the detriment of the gullible, easy-going buyer. Hidden charges, unexplained, are put in the total cost of many types of instalment sales, and again instalment buying is abused.

SOB STORIES

THESE are practices that give currency to arguments that all instalment buying is an evil. Tragical, heart-rending true stories make good magazine reading and build up antagonism to the whole practice but seldom stop the purchase of goods by the very classes described as being exploited. Similar stories are available about ministers and lovely looking choir

singers, but we do not abolish ministers, choir singers or churches. We hear stories of immorality in hotels, but we continue to patronize them. Automobiles kill people. Trains are wrecked. Some college students, overworked, commit suicide. But we go on with these institutions looking, as we must, for ways to eliminate the abuses.

These are the superficial symptoms that reflect the possibilities of unregulated, uncontrolled exploitation. It is well to publicize them and warn the public. It is well to arouse public indignation and stimulate corrective action.

But the more fundamental thing about the abuse of instalment buying is the social and economic trend it develops aside from the special cases that after all represent but a small fraction of the total transactions.

To mortgage one's future earning power to the extent of, say, 10 per cent or 15 per cent or even 20 per cent of one's annual or monthly income over a period of one to five years is a serious thing for the individual. If this is multiplied into millions of instances, what will be the result? Will there be no more savings accumulated in banks to invest in bonds for industrial expansion? Will the people lose the habit of thrift and become a nation of greedy spenders and thoughtless grasshopper troubadours who buy a car, a radio, a refrigerator, furniture, clothes, jewelry and fur coats, without a thought of tomorrow's need or next year's depression, or a lay-off, or sickness? Will these forward purchases stimulate wild production for today and because all wages are mortgaged to the hilt above rent and three meals will there be an air pocket in which next year's market will drop and create a new panic and depression?

LOOKING AHEAD

WHAT are the facts with which to give answer to these potential forces of destruction if there is no control over these operations? And how can there be control of a hundred and thirty million independent souls who can spend their incomes or mortgage them as they please?

Well, these are the potentially destructive forces of instalment buying. This is an American practice that has grown apace. It can grow further. It can perhaps wreck the future economy and destroy the current individual. The real issue is—will it? The approach to the answer is the examination of experience and of current practices and conditions.

First of all, the principle should be established by banking that it neither will itself, nor assist any other person or organization to, finance the purchase of goods on instalment where the goods are destroyed by use before the purchase price is liquidated. Here is an abuse that would introduce unreality into our economy in cumulative fashion whereby time would alone be needed to wreck our present set-up. Such programs are reported too infrequently to give concern other than to repeat the warning against the stupid exploitation of the public by some mad, greedy, unsocial person.

This principle acts upon and applies to financing of other items seemingly durable but which by the processes of invention, evolution and ingenuity are becoming obsolete even when retaining their original qualities of usefulness and in-

By THOMAS C. BOUSHALL

trinsic worth, and are losing their market value by the rushing march of mechanical and style improvement year by year.

Many automobiles are good for five or more years, but no one will finance a purchase over that time. Obsolescence, in many cases, destroys values as fast or faster than use wears them out. Mechanical refrigerators will last for 10 years or more, but those that cost \$300 in 1930 sold for \$150 new in 1934 and for \$100 in 1936. The \$300 radio of 1926-27 is a poor competitor of a \$30 radio in 1932. It is a trash pile article by 1934 because the \$10 radio will do things the previous ones at any cost could not do.

THE FLOW OF HUMAN NEEDS

AND so terms of months or years in instalment purchase must be short enough to hurry liquidation along abreast of time or else there is abuse, loss and unsound economy.

But these factors of change create new purchasers. Newcomers into the market for the first time added to those who throw out the obsolete create a constantly new market if the handling of instalment selling is not abused in the first instance.

Fear that today's purchase preempts tomorrow's market is based on the theory that everybody will buy a car, a refrigerator, a radio, a heating plant, a new insulation job, a new piano and a new home all in the same year. If this took place we would indeed face an economy, the conduct of which would be a travesty on civilization.

It is strange that this is the view of many bankers who, if they stopped to consider, would realize that along the same road would lie the prospect of all depositors seeking to draw their money on one day, or in the same month, or the same year, at least.

STAGGERED BUYING

HUMAN beings over a long period of years have shown that they just don't act that way. There is a *flow* of deposits in and deposits out, not always entirely balanced, but most of the time a net gain in deposits held despite the huge cumulative total of withdrawals over a given period. Bankers should realize that people buy in a flowing stream as they bank in a flowing stream. Except for humanly induced panics arising mostly out of an accumulated static of stupidity, we have few Johnstown floods of bank withdrawal and none of record as to forward buying unless the stock market of 1929 is an example. Had this been on an instalment purchase basis instead of 90-day commercial borrowing we would have had neither the extreme of high prices nor the depth of low markets that ensued from the failure to confine purchases to the ability of the purchaser to liquidate his obligation out of income related to the market value of the item bought.

In 1930 the reported forward buying that had to be liquidated amounted to some \$6,000,000,000. By the end of 1930 \$4,000,000,000 had been liquidated, and by June 30, 1931, all forward or time purchases on the instalment basis outstanding January 1, 1930, had been fully paid for or charged to loss

in a ratio of approximately $\frac{1}{2}$ of 1 per cent. Instalment purchasing did not stop in 1930 or 1931 or 1932. It was, of course, reduced. But the reduced ratio of instalment purchasing in those years was not due to the inability of the previous purchasers to buy more goods because their incomes were mortgaged forward nor because others did not have incomes. It was fear of the future; fear of being unable to hold on to jobs, the wages from which would liquidate forward purchases. The public would not abuse its own credit or thoughtlessly mortgage an uncertain future.

SAVING HAS CONTINUED, TOO

ANOTHER abuse that is recorded against instalment buying as a destructive element is the encroachment upon the savings habits of the people, and the consequent absence of savings deposit growth in the banks. The records show a steady growth in savings parallel with the rise of instalment buying. So far the death of the savings habit hasn't occurred. There has been time for this trend to reflect itself were it malignantly present.

Of course the people could be fanned into a heat of forward buying and fail to save. This could probably come about more readily from creating fear of the unsoundness of the banks and the futility of saving rather than it could from the breaking down of the inherent human desire to conserve a part of one's wage against a day of realization of a larger ambition or to meet adversity.

The point is that people in their buying habits come along in recurring ranks to buy when they desire or have need, just as there has developed a pattern of bank habits as to deposit and withdrawal on the part of a percentage of the people day in and day out, year in and year out. People are no more to be stampeded into buying all in one day or year than they are to take all their money out of the bank in one day or year unless it be for lack of faith generated by the act of the banker and not by the act of the depositor.

The return to instalment buying in larger amounts in 1935, 1936, and 1937 than in 1932 and 1933 is attributable to greater income and greater faith in the constancy and stability of future income.

It is a seeming paradox, but nevertheless true, to say that the greatest potentially destructive factor in instalment buying is a lack of its understanding and a full comprehension of its application as a modern economic implement for cultivating the productivity of our economy within sound limits on the part of the banker rather than on the part of the consumer.

THE NEED FOR FACTS

IF we stay out of instalment financing because we fear its effect through ignorance of its operation and its principles, we may fail to place our society on a basis that politics will encourage rather than seek to disrupt. If, on the other hand, instalment buying is unwittingly encouraged into too great activity by banks, either in direct loans or in loans to finance companies or merchants who will handle instalment sales or financing, then we abuse the use of a great instrument that for a time is artificially productive but may later bring on unsound conditions.

It is urgent that bankers study the whole field of instalment buying. It is important that they abandon opinions and obtain the facts.

Action based on a full knowledge of the facts will tend to eliminate a great source of potentially destructive force within the instalment buying area.

Sources of Investment Advice

IN discussing sources of investment information in the September issue of *BANKING*, this writer confined himself to what he termed "factual" material, grouping under this heading reference books, newspapers, periodicals and the standard so-called investment "manuals." Two points will bear repetition, however, at the outset. In the first place, all references to particular sources of information are to be regarded as representative examples, in no sense as covering the ground completely. In the second place, there is really no hard and fast line of demarcation between those organizations dealing in facts alone (such as manuals) and those dealing in "advisory" or "supervisory" services, any more than there is any clear-cut differentiation between investment "services" and investment "counsel."

How big would be the task of presenting an all-inclusive discussion of the sources of investment information may be gathered from the fact that in 1931 the Special Libraries Association prepared a *Handbook of Commercial and Financial Services*, and that this paper-covered volume listed over 200 separate organizations. Additional sources were listed in a supplement, which made its appearance in 1932. That was five years ago. The revival of the markets since then has undoubtedly increased enormously the list of those who make a business of handling other peoples' money.

SERVICES VARIED AND NUMEROUS

SO far as classification is concerned, it is worth noting that such organizations as Moody's, Standard Statistics, Poor's and Fitch, in addition to their manuals, with their current supplements, offer numerous other services. These services fall into two general categories—advisory and supervisory. In the field of advisory services, Moody's issues weekly its "Bond Survey" and its "Stock Survey"; Standard Statistics has its "Standard Trade and Securities", and "Standard Bond Investments"; Fitch has its "Trade, Industries and Securities" and its "Weekly Bond Review"; and Poor's has its "Investment Advisory Service" and its "Industry and Investment Service". Standard offers additional regular printed services in numerous special fields, as does Fitch—but services such as those enumerated above are the basic pattern.

What do these weekly published services contain? Well, a typical issue of one of those specializing in stocks (one usually covers stocks, the other bonds) would make a folder (ready for filing) of about 10 pages, and would include something like this:

1. The outlook:

The firm's opinion of the current trend of the stock market, with a clear-cut recommendation of the policy the stock investor should pursue.

2. Review of the week:

A concise summary of the important news and developments of the previous week and an interpretation of this news in terms of its effect upon stocks and upon the market as a whole.

3. Industries section:

Contains analyses and discussions of one or more industries

whose position requires consideration either from a favorable or unfavorable viewpoint. The companies composing a given industry are reviewed and discussed. In every case definite opinions are expressed as to the position and prospects of each company.

It should be pointed out with the greatest emphasis that advisory services are furnished by a large number of houses that do not touch the purely factual field. Among these are such organizations as Babson's, Brookmire and Alexander Hamilton.

ONE OF MANY VARIATIONS

ONE interesting organization that caters to the banking clientele, though it is now branching out to cover those persons who are prepared to take the "normal business man's risk", is the Securities Tabulating Corporation. This firm issues current paper-bound tabulations covering all bonds listed on the New York Stock Exchange and the New York Curb. These reports list the bonds in two ways: first, alphabetically, with pertinent credit and market factors given in the case of each issue; second, by major groups. Segregation is first made according to whether the entries are railroad, public utility, industrial or foreign issues. Within each of these classifications the issues are arranged according to standard ratings; and within these rating sub-classifications they are again arranged according to market price, from low to high.

So impressed was one large New York institution with this device for guiding small banks in the handling of their security portfolios that it entered into a contract with the tabulating firm which gives it (the bank) the sole right of free distribution of the banking phase of the service. This New York bank is said to have established relations with a great many correspondent banks throughout the country, largely by extending them this service.

GROUPING BY BEHAVIOR

A VARIANT of the Securities Tabulating idea is that conceived by Bondex, another investment service organization. Bondex has discovered that securities can be classified otherwise, for example, than with reference to the position of their lien, the ratio of earnings to capital, or any of the measurements once regarded as standard. It has found that certain securities invariably act the same way under a given set of conditions. It has separated its portfolio with this generalization in mind, and it finds that securities fall naturally into some 35 different categories. With the client holding this key, and kept in touch with the changing conditions, by the investment firm, he can pretty nearly run his own portfolio—or so the theory goes.

We have noted above that in the case of the organization selected for discussion, "supervisory" services as well as "advisory" were offered. Usually, the supervisory services, in turn, are divided, since, for example, the problem of supervising a bank portfolio is not identical with that of supervising the investments of a corporation or an individual.

In order that the reader may understand the essential

By EDWARD H. COLLINS

difference between an advisory service, such as those outlined above, and a supervisory service, the best thing to do, perhaps, is to present a similar instance of the latter.

Initial analysis and report:

The service would begin with analysis and appraisal of the bank's investment problem. An analysis of the portfolio is made and a report submitted to the bank containing recommendations for any changes thought desirable.

Continuous supervision:

In order to provide constant and personal supervision of the bank's investments, a member of the investment organization is delegated to act as the bank's counsellor or, in another sense, as the bank's representative in the organization. The bank's list of investments is under the constant scrutiny of the counsellor, and the firm takes the initiative in calling to the attention of the bank developments affecting its investments, together with its interpretation of such developments and its definite recommendations.

VALUE OF THE PERSONAL ELEMENT

THE counsellor and the investment committee of the firm—that is to say, its research staff—are available for consultation with the client on all matters concerning the investment problem. In addition, the counsellor undertakes periodically to visit the client and to confer with the bank's board of directors or investment committee. It has been found that such personal consultations serve to:

1. Provide the client with a perspective view of his problem;
2. Maintain an understanding of, and agreement with, the basic policies being followed, and
3. To establish closer cooperation between the client and the service with respect to definite action in making adjustments in the portfolio.

One of the practical differences between the factual and advisory services on the one hand and the supervisory services on the other is that the costs are assessed differently. Manuals, for example, sell at a definite price. The several types of advisory services individually are almost always sold at a flat rate, with reductions, perhaps, in combination. The supervising service, however, is paid for, in most cases, by fee. "Our fee," says Moody's, for example, in its prospectus, "is calculated on our estimates of the amount of time we must devote to render each client adequate and satisfactory service."

"There can, we believe, be no fair and equitable method of determining fees on any arbitrary basis; the cost of the service should reflect directly and proportionately the *work involved* in handling a particular account."

In summary, the supervising service affords the banker a medium through which he may obtain continuous personal counsel on the investment problem of his institution. It makes the facilities of a well equipped organization available to him at a cost which is reasonable. In a great majority of cases, the tangible benefits of the service are more than sufficient to offset the cost to the bank.

It is worth pointing out, in passing, that the investment

services, whose business it is to comb the country-side for clients, estimate that, out of the 15,000 commercial banks in the country, at least 7,500, and perhaps as many as 9,000, employ no investment services of any kind—not even the manuals. This total is comprised of two groups. One of these is comprised of small institutions which handle only municipals and the local commercial paper; the other group depends on local brokers, or on city connections—either banks or security houses.

There is no institution yet, perhaps, that can step in and fill the general needs furnished the small bank by its friendly correspondent. Not only will the big bank advise its small town associate on investment matters, and provide safe-keeping, trust and foreign service, but the number of requests of a special nature that it performs are legion.

CORRESPONDENTS STILL INDISPENSABLE

OF course, very frequently, the small bank in some of these cases is getting indirectly the services of the investment organizations, many of which the big banks employ, quite aside from their own research organization. One sort of service which the banks do not share with the investment adviser is that which consists of purchasing World's Series tickets for their correspondents or seeing that some European friend of a banker, some 2,500 miles distant, receives a proper send-off.

This personal relationship between the "big" banker and the "little" banker seems to be the thing that makes so many of the smaller institutions lean on their city cousins, rather than try to handle their own investment portfolios. As one banker said many years ago, "Life is too short to spend quarreling over proportionate balances or the interest rate on loans. The real pleasure you get comes from the business friends you make, the people who treat you right—the regular fellows."

"DEAR JIM"

A BANK, like an individual, likes to have as many friends as possible. The officers of the city bank like to call on their correspondents when traveling in their territory, and like to have their correspondents stop in and see them when they are visiting in the city or passing through. Thus, the two get acquainted, and if either is faced with a special problem he can get it off his chest with one of those "Dear Jim" letters he can write, knowing that his situation will receive personal attention. Each bank can use the other in introducing its own customers who may be thinking of setting up branches in a new locality, and this incidentally may mean the securing of good accounts. It had been expected that with the Federal Reserve established there would no longer be need for the small bank to maintain relations with its city bank. Out of town bank deposits, of course, no longer counted as reserves while they were in the city banks, which removed the chief reason for the long-standing relationship. Moreover, numerous other facilities were placed at the disposal of the small banks through the regional banks and their branches. Yet, the custom is as flourishing today as before the War. Perhaps it can all be summed up by the reply of a cashier of a small Iowa bank, who, asked about this seeming carry-over from the past, replied to his questioner:

"I've sometimes thought of closing out the account, but we've been with that bank for over 30 years, and we're mighty good friends. We depend on them for many services that we couldn't get along without. I can't recall ever asking them for anything and finding them wanting."

Boston in October

All Banks, Large and Small

A NUMBER of serious banking questions will come up for consideration at the 63rd Annual Convention of the American Bankers Association at Boston, October 11-14, President Tom K. Smith said in a communication sent to the Association's 13,000 members urging them to attend.

"The Convention is the unique opportunity presented each year for bankers throughout the nation to play a full and equal part in determining the policies and actions of organized banking toward important banking problems," Mr. Smith said.

"All banks large and small, city or country, state or national, whatever their viewpoints on major questions of banking practice, here have the opportunity to exert their influence in the affairs of the Association.

"The extent to which each Convention represents a true cross-section of banking viewpoints depends on our members themselves,—on the extent to which they avail themselves of the opportunity to attend and take part in the proceedings. There is an analogy in the fact that those of our citizens who do not take an active part in the processes of democratic government have none but themselves to blame if the administrations in power do not govern to suit them."

ABOUT THE PROGRAM

THE three general sessions of the Convention will be held in the Majestic Theatre. Divisional meetings are

scheduled for the Hotel Statler, Convention headquarters.

Although details of the program had not been completed at the time of going to press, a tentative summary, so far as available, follows.

FIRST GENERAL SESSION, Tuesday, October 12, 10 A.M.—Address by President Smith; report of the official acts and proceedings of the Executive Council; appointment of the Resolutions Committee; "The Outlook for Savings", Frank P. Bennett, Jr., editor, *United States Investor*, Boston; "The Outlook for American Institutions", Dr. Glenn Frank, president, Rural Progress, Inc., Chicago.

SECOND GENERAL SESSION, Wednesday, October 13, 10 A.M.—"The Outlook for Foreign Trade", Eliot Wadsworth, chairman, American Section, International Chamber of Commerce, Boston; "The Road Ahead", Henning W. Prentiss, Jr., president, Armstrong Cork Company, Lancaster, Pennsylvania; report of the Nominating Committee and election of officers.

THIRD GENERAL SESSION, Thursday, October 14, 10 A.M.—"Outlook for Research in Economics and Business", Dr. Virgil Jordan, president, National Industrial Conference Board, New York City; "Prospects for Profits in the Banking Business", Leonard P. Ayres, vice-president, Cleveland Trust Company; report of Resolutions Committee; installation of officers.

DIVISIONAL MEETINGS

NATIONAL BANK DIVISION, October 11, 9:30 A.M.—Address of the President, W. F. Augustine, vice-president, Na-

CONVENTIONS

A.B.A. Meetings

Oct. 11-14 A.B.A. Convention, Statler Hotel, Boston, Massachusetts

State Associations

Nov. 4-5 Nebraska, Hotel Cornhusker, Lincoln
Nov. 11-12 Arizona, El Paso, Texas
Nov. 11-12 Mid-Year Trust and Banking Conference, New Jersey, Berkeley-Carteret Hotel, Asbury Park

Group Meetings

Oct. 25 Group 6, South Dakota, Mobridge
Oct. 26 Group 4, South Dakota, Watertown
Oct. 27 Group 2, Kansas, Lawrence
Oct. 27 Group 2, South Dakota, Brookings
Oct. 28 Group 4, Kansas, Manhattan
Oct. 28 Group 1, South Dakota, Vermillion
Oct. 29 Groups 6 and 8, Kansas, Norton
Oct. 29 Group 3, South Dakota, Tripp
Oct. 30 Group 5, South Dakota, Huron
Nov. 2 Group 3, Kansas, Coffeyville
Nov. 2 Group 7, South Dakota, Black Hills
Nov. 3 Group 5, Kansas, McPherson
Nov. 4 Group 9, Kansas, Liberal
Nov. 5 Group 7, Kansas, Greensburg
Nov. 11 Group 11, Oklahoma, Enid

Other Organizations

Oct. 6-8 U. S. Building and Loan League, Los Angeles, California
Oct. 8-12 Annual Convention of the Association of Bank Women, Hotel Somerset, Boston, Massachusetts
Oct. 11-14 Annual Meeting of the National Association of Bank Auditors and Comptrollers, Boston, Massachusetts

Oct. 11-14 Casualty and Surety Underwriters and Agents, White Sulphur Springs, West Virginia
Oct. 13-15 Mortgage Bankers Association of America, Cleveland, Ohio
Oct. 15-16 New Hampshire Savings Banks Association, Mountain View House, Whitefield
Oct. 18-23 Annual Convention, National Association of Real Estate Boards, The William Penn Hotel, Pittsburgh, Pennsylvania
Oct. 18-23 National Business Show, Commerce Hall, Port Authority Building, New York, New York
Oct. 20-22 Savings Banks Association of the State of New York, The Greenbrier, White Sulphur Springs, West Virginia
Oct. 23-25 American Iron and Steel Institute, White Sulphur Springs, West Virginia
Oct. & Nov. Automobile Shows in New York, N. Y.; Toledo, Ohio; Boston, Massachusetts; San Francisco, California; Los Angeles, California; Cincinnati, Ohio; Omaha, Nebraska; Akron, Ohio; Columbus, Ohio; Brooklyn, New York; Buffalo, New York; Chicago, Illinois; Detroit, Michigan; Indianapolis, Indiana; Minneapolis, Minnesota; Newark, New Jersey; Philadelphia, Pennsylvania; Pittsburgh, Pennsylvania; Baltimore, Maryland; Cleveland, Ohio; Rochester, New York; Springfield, Illinois; Portland, Oregon; St. Louis, Missouri; Denver, Colorado; Jersey City, New Jersey; Milwaukee, Wisconsin and Kansas City, Missouri
Nov. 3-5 National Foreign Trade Convention, Cleveland, Ohio
Nov. 3-7 Annual Convention of the Investment Bankers Association of America, Greenbrier Hotel, White Sulphur Springs, West Virginia
Nov. 19-20 National Appraisal Forum, Joint Committee of Appraisal and Mortgage Analysis, Washington, D. C.
Dec. 27-30 American Accounting Association, Atlantic City, New Jersey
Dec. 28-30 American Economic Association, Atlantic City, New Jersey

YOU RENT RECORDAK... ELIMINATE CAPITAL OUT- LAY, DEPRECIATION... CUT ACCOUNTING COST TO A MINIMUM

The Recordak Rental Plan works entirely to your advantage... nothing to buy... no contracts to sign. Simply an installation made on a "pay-as-you-go" basis.

RECORDAK, the safest, fastest, most accurate and most economical system of bank accounting. It eliminates expensive, involved machines, freeing their specialized, high-salaried operators for other work... ends duplication of effort... lost motion... unnecessary overhead and costly overtime work. It provides photographic records of every transaction... records that are tamper-proof, extraction-proof, alteration-proof... speedily made... easily handled and filed... a safeguard to bank and depositor alike.

A Recordak installation carries no burden of purchasing new equipment. For Recordak Systems are rented, not sold... no capital outlay required, no depreciation, no special operator needed.

• • •

Recordak Photographic Accounting Systems are serviced from 12 conveniently located offices... one close to your bank. Recordak Corporation, Subsidiary of Eastman Kodak Co., 350 Madison Ave., New York, N. Y.



[Users of Recordak report savings up to 45% net on per-item costs, 50% on supplies, 90% in storage space.]

RECORDAK
*Photographic Accounting
Systems*

tional Shawmut Bank, Boston; "Sound Profits from Sound Banking", Elbert S. Woosley, vice-president, First National Bank, Louisville; "The Gold Problem and Some Banking Effects", J. Franklin Ebersole, professor of finance, Harvard Graduate School of Business Administration; committee reports; election and installation of officers.

TRUST DIVISION, October 11, 2 P.M.—Meeting for elections only.

STATE SECRETARIES SECTION, October 11, 2 P.M.—Report of the President, T. P. Cramer, Jr., associate secretary, Oregon Bankers Association; reports of standing committees; review of legislative program, Robert M. Hanes, Chairman, Committee on Federal Legislation, American Bankers Association, and president, Wachovia Bank and Trust Company, Winston-Salem, North Carolina; discussion on banking educational conferences and the Graduate School of Banking, led by Paul P. Brown, secretary, North Carolina Bankers Association; election and installation of officers.

CONSTRUCTIVE CUSTOMER RELATIONS CLINIC, October 11, 7:45 P.M.—Presiding, Rudolf S. Hecht, Chairman, Public Education Commission, and chairman, Hibernia National Bank, New Orleans; "The Wisconsin State Program", Henry J. Steeps, president, The Bank of Baraboo, Baraboo, Wisconsin; "Customer Relations—the Individual Banker's Responsibility", Jesse F. Wood, vice-president, State-Planters Bank & Trust Company, Richmond, Virginia; "Meeting Our Problem in Public Relations", Ray A. Ilg, vice-president, National Shawmut Bank, Boston; "The Telephone", a skit to be enacted by members of Boston Chapter, American Institute of Banking.

SAVINGS DIVISION, October 12, 2 P.M.—Address of the President, Noble R. Jones, savings executive, First National Bank, St. Louis; "Modern Trends in Mortgage Financing", Alfred H. Hastings, treasurer, Springfield (Massachusetts) Institution for Savings; "The Trusteeship of Men", Fred I. Kent, New York, Chairman, Commerce and Marine Commission, American Bankers Association; committee reports; election and installation of officers.

CLEARINGHOUSE ROUND TABLE CONFERENCE, October 12, 2 P.M.—"Investment Policies of Banks", H. H. Griswold, president, First National Bank and Trust Company, Elmira, New York; "World Economic and Business Outlook", Dr. Walter Lichtenstein, vice-president, First National Bank, Chicago; "Relationship of Bond Account to Capital Funds, Deposits, Loans and Discounts, and Real Estate", Russell G. Smith, vice-president and cashier, Bank of America, N. T. & S. A., San Francisco; "Correspondent Bank Relationship; Spaced Maturities, and Sources of Investment Information", H. H. Harris, vice-president, First and Merchants National Bank, Richmond, Virginia; "Aspects of Government Bond Market", Robert L. Garner, vice-president and treasurer, Guaranty Trust Company of New York; "Municipal Securities", John S. Linen, second vice-president, The Chase National Bank, New York.

STATE BANK DIVISION, October 13, 2 P.M.—Address of the President, H. M. Chamberlain, vice-president, Walker Bank & Trust Company, Salt Lake City, Utah; "Banking Facilities and the Chartering of New Banks", D. W. Bates, Iowa Superintendent of Banks, Des Moines; "Main Street—America's Banking Center", Robert H. Myers, vice-president, Merchants National Bank, Muncie, Indiana; committee reports; election and installation of officers.

BOSTON AS HOST

THE Boston bankers, as Mr. Smith said in his letter to the members, have made thorough and efficient preparations for the handling of the meetings and the entertainment of

guests. Sight-seeing buses will be available for taking visitors, at reduced rates, on interesting tours in and near Boston. In addition, the entertainment program includes a visit to the Graduate School of Business Administration at Harvard; trip to the Boston Stock Exchange, to the Isabella Stewart Gardner Museum, and around Boston Harbor; and the annual golf tournament. The latter event is at the Salem Country Club.

Proposed Amendment

AT A MEETING of the Executive Committee, State Bank Division, American Bankers Association, in a regularly called session held in the City of Chicago, Friday, September 10, 1937, at which a quorum was present, the following resolution was unanimously adopted:

"RESOLVED, That Article X, Section 1, Sub-Section (d) of the Constitution of the American Bankers Association be amended to read as follows: A State Bank Division whose scope shall embrace all matters of interest to state banks, especially the upholding of the dual banking system and state autonomy."

This proposed amendment to the Constitution of the American Bankers Association will be presented to the General Convention in Boston.

Bulletin on Banking Legislation

ROBERT M. HANES, president of the Wachovia Bank & Trust Company, Winston-Salem, North Carolina, and Chairman of the Committee on Federal Legislation of the American Bankers Association, has sent a bulletin to the members acquainting them with legislation of particular interest to banks introduced during the 1937 session of Congress. The bulletin covers in brief digest the more important laws enacted and bills pending at the close of the session.

Among the measures enacted are included: The Revenue Act of 1937; extension of emergency laws; act making bank larceny a Federal crime; and compositions of municipal debtors.

Pending legislation includes bills relating to the following subjects:

Extension of national bank branches; elimination of chain bank systems; the Trust Indenture Act of 1937; revision of the National Bankruptcy Act; regulation of bondholders' protective committee; conservator in bankruptcy bill; interest on public demand deposits; Government ownership of Federal Reserve banks; escheat of national bank deposits; reserve requirements of Federal Reserve member banks; marginal requirement regulations; waiver of stockholders' liability; exclusion of deposits from assessment base; monetary control bills; Federal mortgage bank; Agricultural Reserve Note Act; the Fair Labor Standards Act; and bills affecting the Postal Savings System.

Play Ball

FOR the fifth consecutive year the American Institute of Banking conducted its commencement exercises by radio on the evening of September 10. Over a hookup provided by courtesy of the National Broadcasting Company, chapters throughout the country heard an address by Branch Rickey,

BOSTON, OCTOBER 11-14

This issue of **BANKING** contains a special section of pictures and text "About New England and the Boston Convention". The pages are 83 to 146 inclusive.



Strange Neighbor

Of course we know him well. For twenty years we've worked together!

But how well does he know us? Does he know our inner thoughts, our hopes, fears, ambitions?

Then how can we know him?—And though most men and women are strong, honest, fair—a trail of business bankruptcies follows these strange neighbors whom we thought we knew.

National Surety Fidelity Bonds—a tribute to the records and past lives of those who enjoy

their protection—bring business certainty into this world of human uncertainty.

Able business men, credit executives, call for National Surety Fidelity coverage as naturally as they turn to protection against fire or other hazards.

Prompt payment of just claims, intelligent, helpful surety counsel mark the service of thousands of able National Surety representatives. And they offer not only Fidelity Bonds, Blanket Bonds, but Forgery and Burglary insurance.

NATIONAL SURETY CORPORATION
VINCENT CULLEN, PRESIDENT
New York

Copyright National Surety Corporation, 1937

vice-president and general manager of the St. Louis Cardinals, National League baseball club, who spoke from St. Louis.

(Excerpts from Mr. Rickey's address are printed in *BANKING'S Digest*.)

Dr. Harold Stonier, Educational Director of the Institute, who introduced the commencement speaker, said that the Institute, like the professional baseball team, believed promotion should be based solely on merit.

"Favoritism, organized coercion, political pull," Dr. Stonier told the radio listeners, "mean no more in baseball than they do in the American Institute of Banking. If you know your business and have the ability to put what you know into practice, you will succeed in either field. Baseball believes in training. The Institute is a training institution for a banking career."

The organization, founded 37 years ago, is the largest adult educational institution in the country, with an enrollment of more than 40,000 students in 293 chapter and study groups. This year's graduating class numbered 2,867 bank men and women.

Smaller Insurance Bills

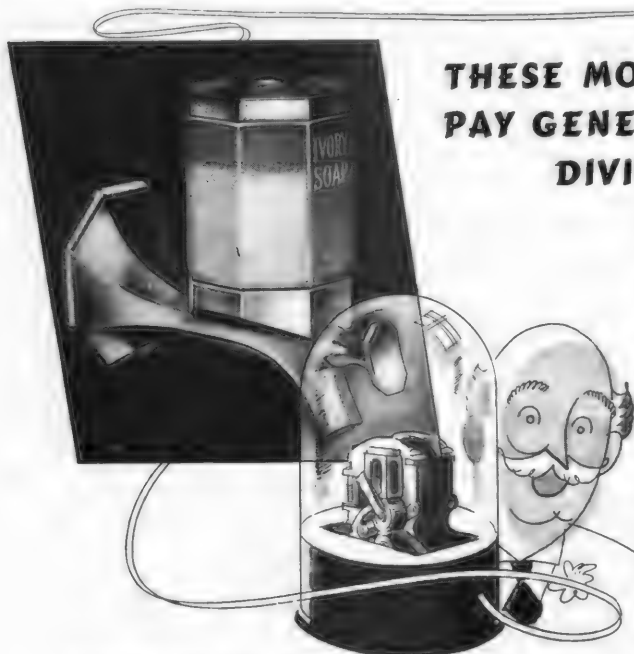
CHANGES made in rates on No. 2 and No. 8 Revised forms of Bankers Blanket Bonds following negotiations between the Insurance Committee of the American Bankers Association and the rating bureau of the surety companies will mean further savings of about \$1,200,000 annually in the aggregate cost of bank insurance in addition to savings of \$600,000 a year effected in 1936, reports James E. Baum, secretary of the committee, in the *Protective Bulletin*, issued by the Association's Protective Department.

"In April 1936 the Insurance Committee issued an im-

proved form of Fidelity Schedule Bond and in June 1936 secured the adoption of many changes to broaden the coverage given under Bankers Blanket Bond, Standard Form No. 8 Revised," Mr. Baum says. "Further negotiations by the Insurance Committee with the underwriters, promise early adoption of additional coverages and clarifying changes in both the No. 8 Revised and No. 2 forms of Bankers Blanket Bond and a broader, revised edition of the Association's copyrighted Burglary and Robbery Policy.

"Since all of these improvements raise the quality of insurance protection essential to sound banking and premium rates had risen sharply until 1936, the Committee was confronted with the task of securing broader insurance without disturbing the rate schedules, including the reductions secured a year ago. These reductions cut down bank insurance costs about \$600,000 annually. Happily, continued improvement in loss experience under Blanket Bonds charted the Insurance Committee's course of action which was directed toward further reductions in the rates charged for these contracts. After several conferences with the surety companies' rating bureau, reductions were announced on July 12, to become retroactive to July 1, 1937. These changes relate only to the No. 2 and No. 8 Revised forms of Bankers Blanket Bond and not to fidelity or forgery bonds, the rates for which were reduced on April 27, 1936 and continue unchanged."

The statement presents explanatory material including a detailed table of the new rates applicable to the smaller banks, and declares that these supplementary annual savings of \$1,200,000 are available to banks carrying blanket bonds, either by a pro rata refund or by applying the pro rata refund to the cost of an increased amount of insurance or broader coverage.



THESE MODERN SOAP DISPENSERS PAY GENEROUS GOOD-WILL DIVIDENDS

WITH all the problems and worries a man runs up against during his average business day, is it fair to ask him to shoulder the added burden of indifferent or unsatisfactory washroom service?

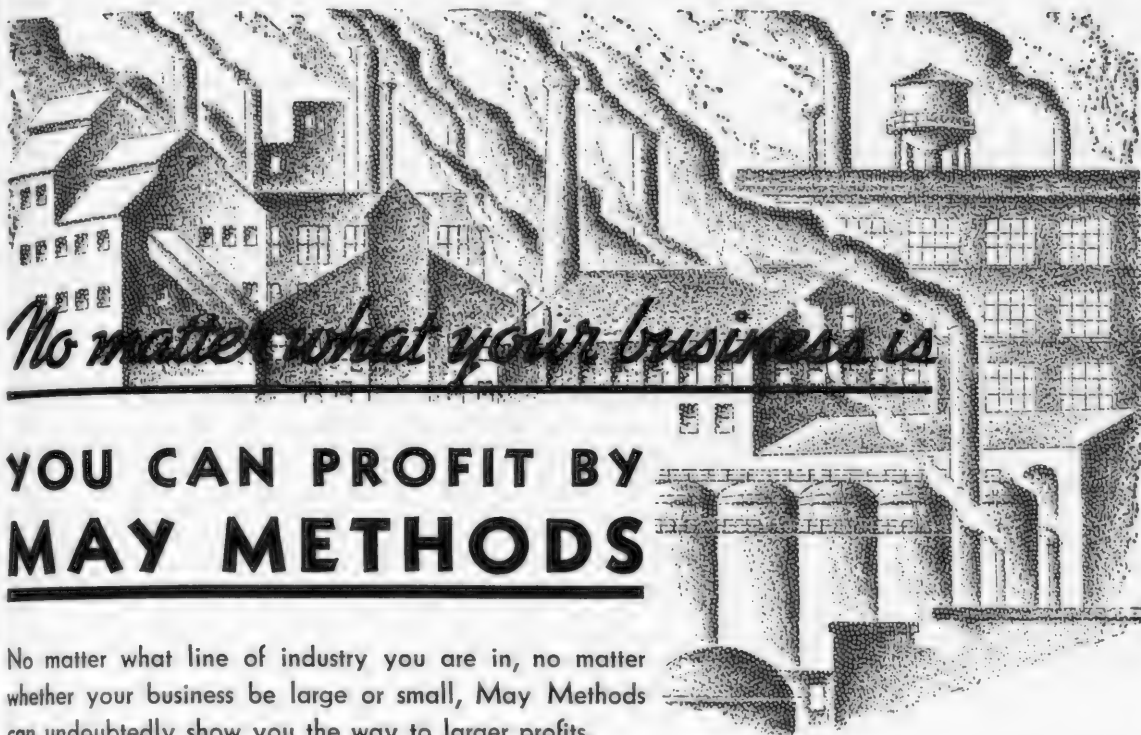
You can make the frequent task of washing face and hands a far pleasanter task for the occupants of your buildings by installing Ivory Soap Dispensers. For these unusually attractive dispensers deliver pure, gentle, rich lathering Ivory Soap . . . a soap that's famous for its cleansing efficiency . . . a soap that's safe for the face as well as the hands.

Ivory Dispensers will pay you generous good-will dividends. And they'll spruce up your washrooms surprisingly at a very modest cost. A descriptive folder will give you all the facts about these modern, efficient dispensers. Write for it.

PROCTER & GAMBLE • INDUSTRIAL
SALES DEPARTMENT • CINCINNATI, OHIO

Ivory Dispensers deliver genuine Ivory Soap in fine, free-flowing flakes or granules. Dispensers are gracefully designed, handsomely finished in heavy chromium plate. Trouble-proof, tamper-proof. Low in first cost and in up-keep.

• • • IVORY SOAP DISPENSERS • • •



No matter what your business is

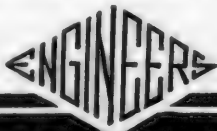
YOU CAN PROFIT BY MAY METHODS

No matter what line of industry you are in, no matter whether your business be large or small, May Methods can undoubtedly show you the way to larger profits.

From tremendous steel mills to small manufacturers, May engineers . . . trained to have keen insight and a thorough grasp of all phases of business management . . . have demonstrated, in hundreds of cases, the chance for increased earnings.

Our analysis of a business is complete and impartial. From the farthest corner of the plant right through the administrative offices, nothing is overlooked. Every possible way to effect savings is determined. Waste is eliminated. Production is improved. In short, if there is any possible manner in which your business can be bettered, the May analysis will find it, and May engineers will give you a complete and unbiased report on the findings.

So, even though you may feel your business is functioning pretty well at present, it will pay you to investigate May Methods. A consultation will cost you nothing and it may be of greater profit to you than you can imagine. Write or call our nearest office.



MAY METHODS SAVED THIS TEXTILE MILL \$75,000.00

Our preliminary survey promised a saving of 22% of their costs, or \$36,500. Actually, when May Methods were installed, there was a saving effected of 33%, or \$75,000.00. Even with this substantial saving the employees' earnings had increased approximately 10%.

MAY METHODS SAVED \$21,500.00 FOR THIS MACHINE TOOL COMPANY

Being confronted with the necessity of reducing costs, this company called us in for a Preliminary Study. We estimated a saving of 30% of cost. When May Methods were put into effect, there was an actual saving of 33%, production stepped up 50%, and wages increased 20%. And besides all this, 300 hours less a month were required for the same production with 25% less labor.

GEORGE S. MAY COMPANY

CHICAGO
2600 North Shore Ave.

SEATTLE
710 Second Avenue

ATLANTA
134 Peachtree St.

NEW YORK
122 East 42nd St.

CANADA: George S. May, Ltd., 320 Bay St., Toronto



ORGANIZED TO HELP YOU

REALTY MAINTENANCE AND MORTGAGE DEPARTMENT EXECUTIVES will find the many services of Anthracite Industries, Inc. of practical help on home heating problems.

Valuable information gained through long heating research is available to you. This includes information about recent Anthracite equipment developments, and technical data of actual performance records of approved Anthracite equipment.

To help you with specific cases, Anthracite Industries, Inc. maintains an extensive field organization of trained heating men. Available to you through them is the accumulated experience of the Anthracite industry.

● Anthracite Industries, Inc. maintains an up-to-date research laboratory. One of its services is to test equipment. You may select, with complete assurance, any equipment bearing the seal of approval of Anthracite Industries, Inc., for before any equipment can bear the seal it must meet the most rigid requirements in the heating field.

Consult us freely, at any time, on any problem affecting Anthracite heating. You incur no obligation whatever.

ANTHRACITE INDUSTRIES, Inc.
Chrysler Building New York

(SEE ADVERTISEMENT ON OPPOSITE PAGE)

Pennsylvania
ANTHRACITE
COAL

THE SOLID FUEL FOR SOLID COMFORT

METHODS and OPERATIONS

A clearinghouse of practical ideas submitted by readers of this magazine

Operating Procedure for Measured Service

At the end of each month, when statements are checked preparatory to delivery, clerks should pencil the count of checks, debit slips, and deposit tickets on the bottom of all statement stubs. (Printed tabulation should be provided on the stubs for this record, including space for charge to be developed.) These stubs, as soon as the bookkeeping department is through with them, should be delivered to the analysis department where charges will be figured in accordance with the schedule adopted. Checks drawn plus deposit tickets less debit slips gives the net number of items.

By running through the stubs it will be readily seen, at a glance in most cases, whether the average balance is below the allowed minimum. In a border line case, work the balance on the machine. Then enter monthly service charge on stub or imprint with rubber stamp "Monthly Service Charge" on those subject to this charge. Figure the excess items, apply the rate per item, and develop the total charge on all others subject to charge according to location of balance on the schedule used. Then write a charge slip for each customer, giving details of the charge. It has been found by experience that a properly worded charge slip protects the bank against unnecessary complaints and serves to educate the customer to the justice of the charge.

Deposit tickets rather than items deposited are specified for two reasons: Items deposited are more difficult to find and therefore would increase the cost of operating; and on small accounts there are few tickets carrying more than one item, and counting tickets will usually cover 90 per cent of the deposit items.

When all charge slips are written, they should be listed to a total and sent to the bookkeeping department. If monthly service charges are kept separate from excess service charges, the

total should be broken down to these components for ready handling by the bookkeeper. These charges will appear in the customer's account the month following the month against which they were figured. This allows plenty of opportunity for the utilization of spare-time clerks during the month, thus avoiding peak-load work or extra clerical hire.

Methods for Detailed Analysis

To obtain maximum economy in operating, it is important in medium or small sized banks to set up the analysis department entirely outside the run-of-the-work in the bank. This also provides flexibility and selectivity which are important factors in economy. These elements will be recognized in the suggested procedure following.

First, select a list of active and heavy float accounts which would seem to be fit subjects for analysis. After having developed your item costs, and having selected your form for assembling analysis factors, fill in these forms with the name of the depositor and the month to be analyzed. Have deposit tickets delivered to the analysis department daily by the bookkeeping department as soon as it is through with them. Each day take off on each customer's sheet the number of deposits, number of items deposited (omitting "on us" checks), and float involved. Return deposit tickets promptly to the bookkeeping department.

At the first of the following month, when all entries are complete for the month the analysis is to cover, total the float on each sheet, the number of deposits, and the number of items deposited. You are now ready to work the analysis. Take the statement stubs, enter record of checks paid found on the bottom of the stubs, and carry the daily balances on to the analysis sheets. (This can most readily be done on a form adapted in spacing for the listing machine and where the sheet can be set into the machine and machine total secured.) Enter this average daily balance in the space provided on the form, either in the aggregate or actual as preferred, deduct the float to get the net collected balance, deduct the required

(CONTINUED ON PAGE 42)

The PERMANENCE of ANTHRACITE HEATING EQUIPMENT

helps maintain
EARNING POWER
of
PROPERTIES



The trend toward longer terms for mortgages throws the spotlight stronger than ever on permanence of building construction and equipment. Not only is security involved, but also the need to reduce maintenance cost to a minimum.

That is why bankers, more than ever, prefer Anthracite heating equipment in homes on which they hold mortgages. This equipment offers the vital quality of permanence. Its permanence is unquestioned, for many Anthracite furnaces and boilers outlast the homes they heat. It requires a minimum of servicing.

Consider, too, the economies and flexibility of installation. If rehabilitation costs should be kept down, any adequate Anthracite furnace or boiler . . . new or old . . . can have automatic temperature control by the addition of a thermostat. Complete automatic fuel and ash handling may be added when desired. Thus, modern Anthracite automatic heat offers home-owners and tenants every heating advantage. Savings on fuel make mortgage payments easier.

Anthracite Industries, Inc. stands at the service of banks and financial institutions, ready to help with any problem affecting Anthracite heating. Write to Anthracite Industries, Inc., Chrysler Building, New York.

(SEE ADVERTISEMENT ON OPPOSITE PAGE)

Pennsylvania
ANTHRACITE
COAL

Picture above shows how basements may be transformed into game rooms, or dens, with modern Anthracite equipment.



• This seal appears on Anthracite Equipment only after it has passed the most rigid tests in the heating field.

THE SOLID FUEL FOR SOLID COMFORT



UNUSUALLY prompt presentation of cash items throughout the major part of New York State and equally prompt return is now made possible by the day and night transit department of the Marine Trust Company. Items sent during the day which reach us in time to be forwarded by the night transit department will be presented the next day in most of the important centers of New York State.

Arrangements with correspondents in the west and in other parts of the United States also permit the Marine to provide speedy handling of items in these sections.

We shall be pleased to explain the benefits of this transit service to you, so that you may determine how useful this institution can be in presenting out of town items in the quickest possible time.

155 trains and 16 planes in and out of the city each day put Buffalo in close contact with the major portion of New York State and with other sections of the United States.

MARINE TRUST COMPANY OF BUFFALO

A Marine Midland Bank

Member Federal Deposit Insurance Corporation

OPERATIONS

(CONTINUED FROM PAGE 40)

reserve to find the earning funds, and figure the credit on the earning funds at the rate you have established. Then extend the cost of the various items. Add the base or maintenance cost, and the total is your total cost.

The difference between this total and the earning credit on earning funds represents the net profit or loss. Figure the required profit at $1\frac{1}{4}$ or $1\frac{1}{2}$ per cent on the net collected balance. If 80 per cent of the cost is greater (or whatever percentage is found to apply based on the factors used) use this figure as estimated rate of required profit. If the analysis shows a net loss, add this figure to develop the full charge including profit. If the analysis shows a net profit, and less than the required or estimated return, charge the shortage. If the analysis shows a net profit greater than the estimated return, the difference represents excess profit.

The reason for using 80 per cent of the cost if greater than $1\frac{1}{4}$ per cent on the net collected balance, is this: In the normal account, where the earning on the balance exactly compensates for the cost plus stipulated profit, where the required reserve is figured at 20 per cent, and credit on earning funds at $3\frac{1}{2}$ per cent, and required profit at $1\frac{1}{4}$ per cent, the required profit is found to be 80 per cent of the cost. Requiring this profit is only holding the account with less than compensating balance up to the requirement of those accounts having compensating balances.

After several months' records have been established on the original selected list of accounts, those consistently showing excess profits can be safely dropped from analysis, and records made of the approximate daily balance required to cover the average cost and required profit. Through them can be established an approximate average of items that can be allowed on \$1,000 balance. Of course this will vary as among accounts high in deposit activity, those high in check activity, and those high in float as against those low in float, but a conservative average can be set for use in "spot analysis".

Spot analysis is the method for protecting the bank against loss on accounts not under analysis in this manner. At the first of the month when the statement stubs come to the analysis department, survey every account not under analysis over \$500 balance, estimate average balance and compare

(CONTINUED ON PAGE 44)

YOUR LETTERHEAD IS THE VOICE OF YOUR BUSINESS



WHEN THE TOWN CRIER CALLED . . . the whole town hearkened to his voice. It was lusty. It was loud. It was listened for and listened to, for it was the voice of assurance that all was well, the voice of excitement when there was news to tell, goods to sell. • Business again calls its wares and tells its story—but to millions. One of its most potent voices is its daily correspondence, for in every written communication *paper is the voice*. • How clearly and confidently do you speak with this voice? How well does it represent your business, your product or your service? The difference between a good voice and a poor voice is determined by the paper you use. The best papers are made from rags. They speak with assurance and with that crispness of quality always recognized and always honored.

RAG CONTENT PAPER MANUFACTURERS

122 East 42nd Street, New York

FINE PAPERS FOR LETTERHEADS, LEDGERS AND INDEX RECORDS

THE BEST PAPERS ARE MADE FROM RAGS

beautiful lady



HAMILTON BOND

Beauty is a never-failing force. Beautiful women win men's hearts. Beautiful horses, their admiration. And beautiful papers, their business respect.

Hamilton Bond is unique in its beauty, for its white brilliance, its rich crackle, its undeniable quality are actually achieved at a below-average cost. Your printer will be delighted to put its charm to work for your letters and envelopes without extra charge.

Send for a portfolio of 10 outstanding letterheads on Hamilton Bond. See its whiteness. Watch it defy erasure. Notice the 12 colors which so adapt it to all business uses. Capture the beauty of Hamilton Bond—and put it to work.

W. C. HAMILTON & SONS, MIQUON, PA.

Founded 1856



Finer Papers for Business and Advertising

OPERATIONS

(CONTINUED FROM PAGE 42)

activity with the average set through the observation of accounts previously analyzed—30, 40 or 50 per \$1,000 balance. If the account is heavy in deposit activity, be conservative in items allowed in estimate; likewise if it is a heavy float account.

Any that appear to be border line cases, add to the list for analysis. Any low balance accounts on measured service which have risen to higher level of balances with high activity, add to the list for analysis. Any accounts on analysis whose balances have fallen to lower levels within the range of measured service drop from the analysis list and deal with on the measured service schedule.

This allows freedom in transferring accounts as between measured service and analysis and subjecting or releasing accounts on analysis test. Under this method at the Quincy Trust Company we are carrying on detailed analysis only 10 per cent of our accounts, and adequately protecting the bank against loss on all accounts. The monthly survey or spot analysis also serves a very fine purpose in keeping the head of the analysis department in close touch with the changing conditions of all accounts. If he is also in charge of the customer relations work it is most valuable information for him to have. But most important of all, it saves expense by eliminating work on accounts on which no work is required,—an expense which could not be recovered.—GILBERT BALKAM, Manager, New Business and Analysis Department, Quincy (Massachusetts) Trust Company.

Special Expense Checks

A SPECIAL check is suggested in the payment of a bank's expenses. This is nothing more than a cashier's check which is used for a single purpose. The method necessitates the carrying of a separate control account in the general ledger which should be classified with any other cashier's check accounts on the bank's statement.

The upper portion of this check consists of a statement to the payee showing in detail what the check covers. A general ledger charge ticket is drawn up when the expense check is issued. The upper portion of the ticket is merely a carbon copy of the detailed statement attached to the expense check. The lower part, which includes the required

(CONTINUED ON PAGE 47)

Today a Complete Insurance Program Is Essential

The fire insurance policy has been traditional through generations in meeting every demand made on it in protecting property damaged or destroyed by fire. Our more complex living conditions of today have created many new hazards. The Home Insurance Company, to keep abreast with the times, has met this demand for additional protection by creating new policies to meet these hazards. The Home agent nearest you will be glad to inspect your property and examine existing policies to make sure that you are soundly and adequately protected. This service entails no obligation.

"For Safety Specify Stock Fire Insurance"



THE HOME INSURANCE COMPANY NEW YORK

FIRE, AUTOMOBILE, MARINE And Allied Lines of Insurance

Strength « » Reputation « » Service

“...reduced cost of handling items ...speeded up flow of work”

says Mr. George A. Malcolm, Vice President and
Cashier of the Drovers National Bank, Chicago

Mr. Malcolm, official of this great banking institution, writes:

“The National Central Control Proof Machines recently installed by us have more than come up to our expectations, and they have reduced the cost of handling items and speeded up the flow of work to the various departments of the bank.

“We have used National Bookkeeping and Accounting Machines of various types for a number of years and the results have always been entirely satisfactory.”

For a demonstration of the efficiency and flexibility of National Bank Machines, get in touch with the local National representative. A visit from him will incur no obligation.

Send for National's Payroll Plans
that provide records which conform
with Social Security Legislation.



• Proof department

• Transit department

• Bookkeeping department
(depositors' accounts)



THE National Cash
Register Co.

DAYTON, OHIO

Cash Registers • Posting Machines • Analysis Machines
Bank-Bookkeeping Machines • Accounting Machine Desks
Postage Meter Machines • Check-Writing and Signing Machines
Typewriting-Bookkeeping Machines • Correct Posture Chairs

OPERATIONS

(CONTINUED FROM PAGE 44)

initials or signatures and the distribution to the expense accounts, is filled out separately from the drawing of the expense check.

The procedure is to have the expense check and the general ledger charge ticket completely filled out at the time they are presented to the proper person for authorization. The person authorizing the general ledger charge ticket should also sign the expense check.

The charge ticket calls for the signatures or initials of three persons. In smaller institutions two signatures will suffice, but regardless of size there should never be less than two.

A combination check register and expense ledger can be very conveniently used where special expense checks are issued. This has columns for the check number, the amount of the check, the check mark to indicate payment, the date, name of the payee and as many columns for the various expense classifications as deemed necessary. As the title implies this book should take the place of the expense check register and the expense ledger.

While the suggested method of combining the expense ledger with the cashier's expense check register would probably not satisfy the exacting demands of large banks, it is a convenient and practical procedure for the small and medium-sized institutions.

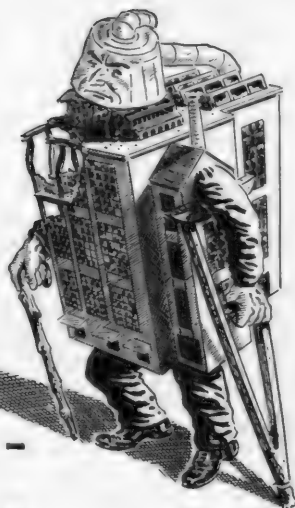
Bank Statement Analysis

THERE is no way of determining what a bank makes solely from operations by studying its statements of condition, but after all, that is not essential. A more important thing is how much of its earnings it retains.

This is the way to figure earnings from published statements:

1. If there was no merger or capital change during the period under consideration, deduct undivided profits of the last previous quarterly statement from undivided profits of the current one. (Usually statements are quarterly, though of course bank earnings are not necessarily uniform each quarter.) Add back the dividends (if set aside during the period), and you have the total earnings—at least the effective earnings.

2. If there has been a merger or other capital change, make allowance for changes in capital structure, then compare the combined old undivided



ALIVE, Yes - -

But on Crutches

Fire! Property damage, loss of income or rentals—all insurables, it's true, and they should be covered. But fire often causes other serious losses—interrupts business and gives competitors the edge, resulting in loss of valuable customers, tenants, good will, and cancelled orders. There is often no remedy for this—after the fire has occurred. The patient lives, but is never the same again.

IRM fights this hazard at its most vulnerable point—providing policyholders with expert, scientific, fire-prevention service—regularly inspecting properties, to detect and eliminate hazards.

And because fire-prevention and careful selection of risks enable us to reduce insurance costs, you benefit. IRM policyholders have received 25% returns on their premiums every year since this group was organized.

IMPROVED RISK MUTUALS

60 JOHN STREET, NEW YORK



A nation-wide organization of old established, legal reserve companies writing the following types of insurance: Fire • Sprinkler Leakage • Use and Occupancy • Tornado and Windstorm • Earthquake • Rents • Commissions and Profits • Riot and Civil Commotion • Inland Marine

figures with the new undivided profits of the consolidated set-up, and note the increase or decrease. Usually there are adjustments made at the time of merger, and if dividends were paid during the period under consideration, one must allow for those, as above. Then after allowing for known adjustments, you may calculate earnings (or losses) as above.

3. Where "undivided" has decreased rather notably, one can do no more than use the same equation; you may find a negative figure by comparing the undivided of the two periods. In any case add back the dividends to either

the negative or positive figures to find the net result. Any changes in surplus must of course also be considered.

To figure book value, divide the total of capital, surplus, and undivided profits by the total number of shares outstanding.

Here are a few significant ratios:

Capital stock to total capital funds signifies the extent to which loss can be incurred before the law steps in.

Capital funds to deposit liabilities signifies the extent to which the depositor may assume protection. A bank with a 1 to 8 ratio, signifying 1 dollar of capital funds to 8 of deposits, gives more de-

posit protection than a bank with a 1 to 10 ratio.

Total earnings in proportion to total capital funds: Over a period of good years some banks have earned 8 or 9 per cent on this basis, though during the last eight years few have done it.

Book value to market value, or vice versa signifies the market opinion of the stock.

Earnings per share to market value indicates whether the stock is selling on a conservative basis or otherwise.

Dividends per share to earnings per share shows the conservatism of the management in disbursing dividends. This, of course, must be taken over a period of years.

Loans and discounts to total loans, discounts, and investments signifies the extent to which the bank is loaning its funds as against investing them.

Real estate to total capital funds indicates the degree to which a bank may have over-extended itself in bank buildings and other real estate.

Avenues of Research

WHAT are some of the fields of research? Apart from the question of classification of accounts, presentation of comparative asset and liability, and earnings and expense and loss data on the part of various districts, which is a worthwhile job of research, there are several other fields.

In respect of credit, isn't it entirely possible that a requirement of more frequent appraisal of fixed assets might effectively supplement the information now accumulated for credit executives?

Isn't it conceivable that electrical tabulating machinery can make a contribution in credit by more or less frequent classification of risks by kind so that a bank may know quickly just how much credit it has in any field?

With regard to securities portfolios, haven't we moved into legislative error by way of the assumption that trading must be curtailed? Isn't it a fact that anything which has a price fluctuates and that anything which fluctuates in price must be followed up astutely by a trader? Can anything be bought as a long-term investment in view of the pace of industry and government?

With regard to fiduciary functions, have we made the progress in cost determination which has been made in respect of costs generally in commercial banking? Can't we after all find an adequate method, even though it be a time basis, of distributing the expenses of trust administration?

(CONTINUED ON PAGE 49)

Make Commercial Loans Safer

The average customer who wants a commercial loan, makes as optimistic a statement about the state of his receivables as he dares.

You necessarily ask searching questions, check and pass judgment on accounts past due, accounts doubtful, accounts virtually worthless.

But you need *not* question the value of a customer's receivables if the accounts are covered by credit insurance. You *know* that the borrower is protected against potential credit losses—that his policy protects the bank, too.

Many large banks include this question in their financial statement blanks: "Do you carry Credit Insurance?" Obviously they favor this form of protection.

Customers usually recognize the fairness of the banker's attitude toward Credit Insurance—they even anticipate it when they insure their accounts. Thus a Boston policyholder (name on request) writes: "Your chief value to us is that we can show our bank that, aside from our 10-day business, all our accounts are insured and therefore at least 90% as good as cash."

Encourage Credit Insurance. With the rising tide of business bringing increased borrowing, Credit Insurance is more than ever necessary.

American Credit Indemnity Co.
OF NEW YORK J. F. McFADDEN, President
Chamber of Commerce Bldg., St. Louis, Mo.
Offices in all principal cities of United States and Canada

CASE GOODS — TEXTILE — CANNED GOODS

HIDES

LUMBER

PETROLEUM

TYPICAL COMMODITIES FIELD WAREHOUSED

Alcohol, Canned Goods, Cotton, Cotton Seed, Cottonseed Oil, Cottonseed Meal, Soy Beans, Soy Bean Oil, Cake and Meal, Coal, Lumber, Hides, Malt, Molasses,

Petroleum Products, Pickles in Vats, Rice, Ready-Made Clothing, Seeds, Syrup, Steel Products, Sugar, Summer and Winter Suits, Sulphur, Staves, Stoves, Wool, Woolen Piece Goods, Wines and Whiskies, Wooden Crates, Zinc Slabs and many others.

DOUGLAS- GUARDIAN

OFFERS NATION-WIDE SERVICE IN
FIELD WAREHOUSING

● SAN FRANCISCO

● LOS ANGELES, CAL.

FAYETTEVILLE, ARK. ●

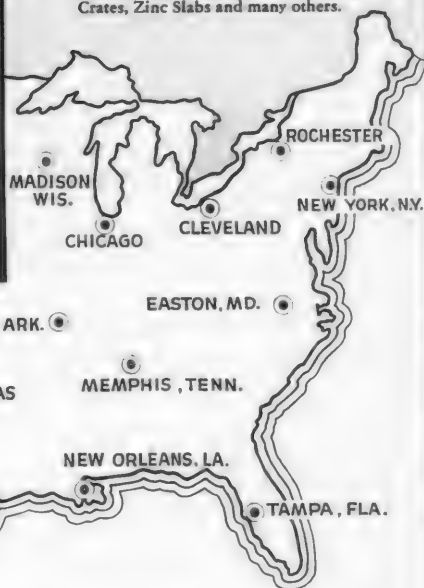
DALLAS, TEXAS

EASTON, MD. ●

MEMPHIS, TENN.

NEW ORLEANS, LA.

TAMPA, FLA.



Both Customers and You Benefit By Larger Loans With Ample Security

You have plenty of cheap money to loan—the more you can put to work, with ample security—the better your profit.

Many of your customers need funds. They need capital to carry through seasonal production schedules and fill orders at a profit.

Field Warehousing is the sound basis—for the customer to borrow and you to loan with ample security. You can safely loan your customer far more money than on mere open line credit—and at a favorable interest rate.

Douglas-Guardian, with thirteen strategically located offices, can speedily set up a field warehouse wherever inventory to be used as a credit basis is located. Any inventory will qualify that is reasonably non-perishable, and capable of being segregated and identified.

Douglas-Guardian has had many years of practical experience in this field of modern financing through the medium of field warehousing and is thoroughly familiar with every detail. We are working with hundreds of the country's soundest bankers. We offer every facility for the legal and accurate transaction of any type of field warehousing under competent management.

Why not get in touch with us and secure further details on any specific credit situations confronting you—or at least write for our new booklet, which is a liberal education on Field Warehousing in time-saving form—addressing 100 West Monroe St., Chicago, Ill.



GLAD TO MAIL YOU COMPLIMENTARY COPY OF THIS BOOKLET:

It answers the questions that arise in connection with your use of this modern method of financing. Points out pitfalls to avoid. Gladly sent without cost or obligation.

DOUGLAS - GUARDIAN WAREHOUSE CORPORATION

Nation-wide Warehousing Service

NEW ORLEANS, LA.
118 N. Front St.
FAYETTEVILLE, ARK.
Appleby Bldg.

CHICAGO, ILL.
100 W. Monroe St.
MADISON, WIS.
135 E. Wilson St.

TAMPA, FLA.
416 Tampa St.

NEW YORK, N. Y.
100 Broad St.

CLEVELAND, OHIO
Leader Bldg.

DALLAS, TEXAS
401 Tower Petro. Bldg.

LOS ANGELES, CAL.
Garfield Bldg.

ROCHESTER, N. Y.
1223 Commerce Bldg.

MEMPHIS, TENN.
106 Porter Bldg.

EASTON, MD.
Stewart Bldg.
SAN FRANCISCO, CAL.
485 California St.

TRADITIONALLY A BANKERS' BANK

THE CHASE NATIONAL BANK is traditionally a bankers' bank.

From inception, one of its guiding policies has been the development of correspondent banking relations. For years it has served thousands of the country's leading banks.

The Chase is outstanding because of

— the efficient way in which it handles the routine daily transactions of its correspondents.

— the friendly cooperative spirit of its official staff and its knowledge of credit, business and financial conditions in every section of the country.

— its value in many matters where its size, prestige and connections are important to correspondents.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

OPERATIONS

(CONTINUED FROM PAGE 48)

With regard to branch banking, isn't it possible with complete avoidance of controversy, to ascertain:

(1) The relative costs of branch as against unit bank operation.

(2) The extent to which service may or may not be effectively rendered in different localities by branch as against unit banks.

(3) The extent to which the effects of depression may or may not be accentuated by branch banking.

(4) Is it not also possible to set forth the principles of calculation of the true earning value of a branch?

With regard to the control function, is it necessary that legislation require that each bank have an accounting control functionary, provision by law having been made with respect to certain essential other officers?

With regard to business development and advertising, has the last word been said?

With regard to government supervision, has there been, in all the efforts of the last several years, an avoidance, inadvertent perhaps, of the central problem? Isn't it desirable that legislation provide that banks shall have spot demand deposits to no greater extent than spot liquidity of their assets will permit, rediscount possibilities being included in this consideration?

A. S.

On Your Toes

A MAN of good appearance presented at a teller's window a \$500 check signed by a well and favorably known depositor. On the reverse side of the check under the payee's signature, which agreed with letters of identification, the drawee of the check had also written O.K. to pay and again signed the check. The check was made on one of the forms commonly used at hotels where the name of the drawer's bank is filled in by pen.

However, the teller, faintly suspicious, telephoned the drawer's home for verification, only to be advised by his wife that he was not in; but she did say she recalled her husband's speaking of business relations with a man by the name of the payee of the check in the teller's hands. Apparently there was nothing to do but pay the man waiting at the window, so the \$500 was given to him.

At the end of the month the depositor called and requested information re-

garding the charging of the check to his account. He said he had not drawn the check but had had business communication by letter with the endorser, with a view to making a new business connection. In the course of the correspondence he had given his bank as reference and of course had provided a specimen of his signature when he signed the correspondence.

At the time the check was cashed an appointment had been made with the supposed employer for a conference and during the several minutes while the check was being presented the depositor was waiting at a nearby hotel

for the gentleman who was presenting the check, so he knew that the teller could not reach the supposed drawee.

The signature had been traced, and the depositor never could find his former correspondent. The depositor, of course, was no way concerned in the transaction and the bank immediately made good the loss by crediting his account \$500 and charging the forgeries account similarly.

Publicity for this method of fraud is the only way to catch up with the ingenious fellow who devised this plan.

J. B. H.

(CONTINUED ON NEXT PAGE)

1863



1937

For The Investment Of Bank Funds

The First National Bank of Chicago maintains an active market in all issues of United States securities, buying and selling government bonds and short-term notes for its own account.

The experience of more than seventy years and immediate contact with principal cities makes this bond service particularly valuable to banks.

Inquiries by telephone, wire or mail are invited and a daily quotation sheet will be mailed on request.

Telephone FRAnklin 6800

Teletype CGO . . 987

The First National Bank of Chicago

OPERATIONS

(CONTINUED FROM PAGE 49)

When a Mortgagor Defaults

ALTHOUGH reports show that a large majority of FHA borrowers pay their instalments promptly, occasionally a loan will be placed in default. When a mortgagor defaults the lending institution should get busy at once, using every effort to collect the delinquent payment and comply with the provisions in section 5 Article VI of the regulations.

Special efforts should be made by lending institutions to avoid foreclosure on properties covered by FHA insured mortgages. When a payment on a Title II loan remains unpaid for 30 days the mortgage is considered in default. Under such circumstances the lending institution should notify the Administrator in writing within 30 days.

It is, of course, impossible to list accurately the factors contributing to cause FHA loan customers to allow their loans to be placed in default. However, bankers know that every borrower may at some time have an individual problem to be solved.

Experience under the FHA mortgage plan has taught us that the most common difficulties borrowers must face are:

1. Unexpected financial demands resulting from sickness or other unavoidable circumstances.
2. Operating without a budget or systematic plan.
3. Death of borrower.

All borrowers are in some measure subject to the first hazard. Assistance should be given to deserving customers who through unavoidable circumstances are unable to pay a monthly instalment on the due date. Even under such conditions an FHA loan should not go into default. Often it might be advisable to make the mortgagor a temporary personal loan sufficient to cover his monthly instalment in order to keep the paper in a current state. Surely such a plan would be better than allowing the mortgage to go into default or having the insurance terminated by the FHA for neglect to comply with the regulations.

Under the second classification a careful analysis is essential to work out a systematic plan for the borrower. His attention should be directed to the terms and conditions set out in the note or bond and the mortgage. He must be made to realize he has signed a contract that must be fulfilled if possible. The fact that he has been lax in his financial dealings and faces a serious obligation should be stated plainly.

In the opinion of the writer, the amount of an FHA loan instalment should not be more than the property could reasonably be expected to bring in if rented. This would tend further to reduce the possibilities of foreclosure and keep the owner satisfied.

Approved mortgagees would not have to foreclose properties that could be rented for the amount of the monthly instalment. Foreclosure would mean the loss of interest income especially when the loans were made to bear interest at 5 per cent plus a service charge of $\frac{1}{2}$ per cent. When a foreclosed mortgage is exchanged for a debenture the loss in income represents $2\frac{1}{2}$ per cent annually, or the difference of $5\frac{1}{2}$ and 3 per cent. Obviously many borrowers are subject to the hazard of decreased income which may upset any financial plan.

Regardless of how good a loan appears during the life of a borrower, his death may place the paper in default and foreclosure may result. For example, a borrower's heirs may decline to assume the mortgage or they may be financially unable to make the

*A Collection Service
second to none,
made possible by
Continental Illinois
correspondent banks
in all parts
of the Nation*

CONTINENTAL ILLINOIS
NATIONAL BANK
AND TRUST COMPANY
OF CHICAGO

231 SOUTH LA SALLE STREET

Member Federal Deposit Insurance Corporation

required payments. Under such a condition it might be possible for the bank to rent the property for an amount equal to the monthly payments or sell it for an amount sufficient to pay off the balance on the mortgage.

Life insurance will make it possible to avoid foreclosure in case of death of a borrower. If a borrower has insurance in force to cover the total amount of his FHA loan an assignment may be taken on the policies that would assure payment in case of his death at any time during the amortization period. Even a partial assignment could be obtained.

By explaining the advantages of life insurance as protection against the death hazard the lending institution will render a service to the borrower and obtain protection for itself. With the security of the real estate, Government guarantee and life insurance as protection an FHA loan can be made about as strong as it is possible to make any bank loan.—GEORGE R. SMITH, Cashier, Commercial National Bank, Demopolis, Alabama.

Necessity of Good Operating Control

EFFECTIVE bank operation is effectively controlled bank operation and nothing more, if we accept the broader definition of control. There is a distinction between accounting and operating control, though it isn't essential that the line be very closely drawn. In some banks certain activities will be treated as operating functions, and in others they will be regarded as those of the comptroller or the auditor. Thus there is a twilight zone of either conflict or cooperation, depending largely upon the definiteness of official assignments and on the follow-up maintained by administration.

Control must be present during all operations, especially those in which items of value are involved, and there are few transactions in banking which do not involve items of value. To the extent that accounting mechanism and verification are weak, the comptroller is likely to be at fault. To the extent that personnel and operating instructions are inadequate, those who have charge thereof have not covered their responsibility.

We are getting away from the idea of checking by way of the auditor. The checking of transactions is an operating function. All work which requires verification should be checked in the department of origin and an operating department should not be permitted to

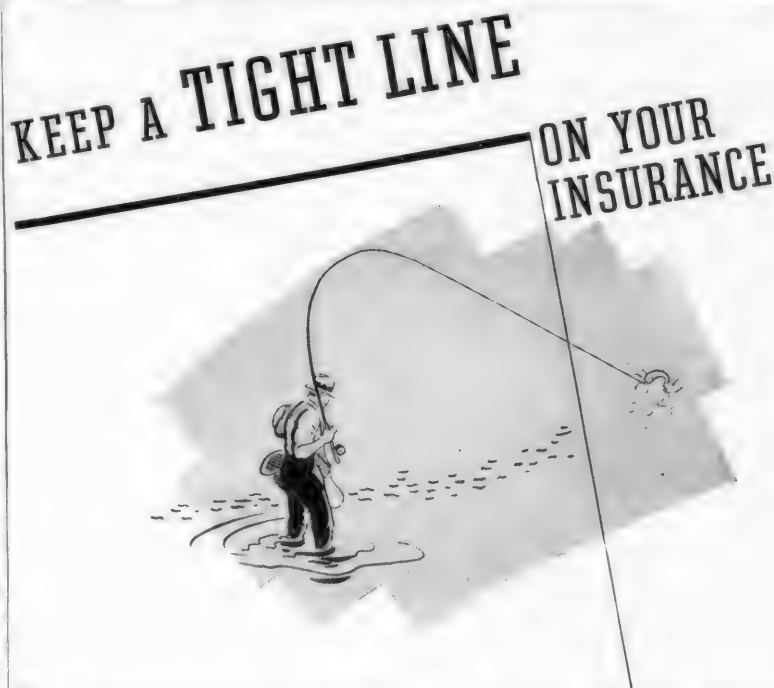
lean on auditors as an assurance of accuracy. Accuracy is not developed in that way any more than a normal leg is strengthened by walking on crutches.

The fundamental purpose of all operation must be service to the customer. Deposit funds of a commercial or savings bank have generally been, and are likely to continue to be, the basis of its successful operation. If a bank is to keep those funds and increase them, to enjoy continued confidence and receive the most effective advertising which any business gets, namely, the good will of its customers, it must serve them.

Control should not be so exacting

that it interferes with customers' service; in fact proper control should produce the reverse, namely, better service to the customer.

All departments of a bank may be subdivided into two large classifications: customers' contact departments, those which have daily touch, either by mail, telephone, or in person, with the customers of the bank; and the auxiliary or internal service departments which in a measure render service to all of the first classification as well as to the officers of the bank. Principles of proper departmental operation apply with equal force to each group.—A.S.



● To be sure every hazard is anticipated and provided against, you should examine your own and clients' casualty insurance at regular intervals. There's always the danger that a change in circumstances may have left a vulnerable

spot in your protective armor. Lumbermen will be glad to make a casualty insurance survey without cost—of your own and clients' interests. Just send the coupon. It may be the means of preventing serious loss.

LUMBERMENS MUTUAL CASUALTY COMPANY

Division of Kemper Insurance

SAVE WITH SAFETY IN THE "WORLD'S GREATEST AUTOMOBILE MUTUAL."

Other Companies Under The Same Management

American Motorists Insurance Company
National Retailers Mutual Insurance Company
Federal Mutual Fire Insurance Company
Glen Cove Mutual Insurance Company

LUMBERMENS MUTUAL CASUALTY COMPANY
Mutual Insurance Building, Chicago, Ill.

Please send full information on your free casualty insurance survey.

Name

Address

City State



**Depreciation
Lessened . . by
Metals that**

*Cannot
Rust*

RUST-PROOF products . . . such as Copper or Brass water pipe, Everdur Metal hot water tanks, Copper sheet metal work, Bronze screening, etc. . . are of material assistance in maintaining the original value of a house. Because of their exceptional durability and long life, they minimize depreciation. Thus, they provide mortgage money with an important factor of safety.

Anaconda



Copper & Brass

THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Conn. Offices and Agencies in Principal Cities

Homespun Advertising

A BANK in the Missouri Ozarks has made its advertising an editorial feature in the town's weekly newspaper. The series is the column "Ye Olden Tymes", published each week by the West Plains (Missouri) Bank in the *West Plains Journal*.

The advertisements pass the readability test with high honors. At first they recalled early local history, but later the homely copy was broadened to include such diverse matters as good advice to young people going away to school, welcomes to grown-ups coming back to visit the home folks, admonitions to political candidates, comments on women's clothes, counsel to drought-ridden farmers, thrift suggestions, observations on current events, and comparisons of present and past. Each column concludes with a paragraph or two about what the bank has done, is doing and is prepared to do for its community and the people in it.

The copy is unsigned, but the ads are enough like their author, T. J. Whitmire, to be recognized by anybody of his acquaintance, which means anybody in that part of the country. Mr. Whitmire is a director of the bank and a retired merchant. He has lived in West Plains for half a century, and has been a constant if unspectacular worker for progress in the community of some 3,300 persons.

The advertising was suggested by the publisher of the *Journal*, who offered the bank a favorable publication rate if the material had news value and reader interest. The idea was not advanced as original; the Bank of Buffalo (Missouri), for instance, had run similar historical material in its home paper. But the author, writing for his own time and place, brings the bank very close to the people.

"Did you ever," he asks of folks who complain about hard times, "milk a cow in 100-degree weather? Or 20 below zero? How your grandparents kept their youth without a hundred conveniences and kept their courage up through thick and thin! You are reaping the benefits they stored up through circumstances that tried their nerves and courage.

"(The West Plains Bank has gone through hot and cold, wet and dry, clouds and sunshine for 53 long years and is now better prepared to help you smile than ever and is anxious to be helpful. It loans money, takes care of your smile, gives advice and always with a smile. Go in and smile with them.)"

One week last Spring the column, under the heading "Strikes", had this to say:

"All I know about it 'is what I see in the papers', but that is a-plenty. Displayed in box-car letters, and when you read for two or three weeks, what do you know about it? Wish some big paper would go on a sure enough strike and quit printing it. . . .

"Take a lesson from the spring birds. No strikes among them, busy all day long building and singing cheerfully about it and not afraid to lay plans for an all busy summer, regardless of the weather. A wise man said, 'He that observeth the wind shall not reap.' . . .

"They say the bass are striking; they used to be biting. It takes a sit-down and wait to get a strike from a bass or a trout. Often you catch a cold and no fish. Don't leave the garden when you find a fish-worm. Onions, lettuce, carrots, etc., can not be a successful crop on a sit-down strike. What we are trying to say to you is this, 'Don't go on a sit-down strike this spring.'

"Banks sometimes sit down on some people's schemes.

(CONTINUED ON PAGE 54)

Burroughs

New High-Speed Posting Machine



**DEFINITELY
MEETS
TODAY'S NEEDS
IN
BANK ACCOUNTING**

SPEED...with fewer motions

This new high-speed Burroughs is a remarkable development in bank posting equipment.

Its new features . . . many of them automatic . . . provide a fast, simple operation and permit the posting of uncollected funds information on the ledger and a complete analysis record on the statement while handling commercial accounts. Call the nearest Burroughs office for complete details or descriptive folder.

**BURROUGHS ADDING MACHINE COMPANY
DETROIT, MICHIGAN**

Adding • Accounting • Billing and Calculating Machines
Cash Registers • Typewriters • Posture Chairs • Supplies

AUTOMATIC PRINTING OF BALANCES

All balances, except overdrafts, print automatically. No motor bar or total key depressions required.

AUTOMATIC COUNT OF CHECKS

The number of checks paid is counted automatically and progressively as part of the posting operation.

VISIBLE ALIGNMENT

The entire previous line, fully visible, is a positive guide to perfect alignment.

AUTOMATIC CLOSING OF CARRIAGE

The first depression of the motor bar closes the carriage and prints the old balance.

FAST CARRIAGE MOVEMENT

Fast tabulation, fast carriage return, fast carriage opening . . . all automatic . . . greatly increase posting speed.

INSTANT CHANGE IN OPERATION

Instant adjustment for posting analysis data to statement or uncollected funds to ledger simply by moving a convenient lever.

INCOME vs. MARKET STABILITY

In determining the composition of the bond portfolio, investment officers of banks must contend with two primary factors—Income and Market Fluctuation.

To what extent can price stability be sacrificed for enhanced income? What portion of the portfolio should be invested in government bonds? Should long term bonds be purchased, and what type should be considered?

Manufacturers Trust Company, through its Investment Advisory Service, is assisting numerous banks throughout the country in the solution of these and other investment problems.

Financial institutions are cordially invited to use this broad service.

MANUFACTURERS TRUST COMPANY

Investment Advisory Division

55 BROAD STREET, NEW YORK

Member Federal Reserve System

Member New York Clearing House Association

Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 52)

Don't get offended, often it is for your own good and profits.

"(The West Plains Bank SITS ready to help in all well planned and correct aims for a successful and honorable enterprise. All of course consistent with well regulated banking. Good comfortable seats to sit on. No strikes discussed or encouraged.)"

Commenting on the town's 1937 "Clean-up Week", the columnist thus admonished his readers: "When you read this advertisement drop the paper and get on the job. There will be but one more day to do two days' work. Get it done, use face powders, hand lotion, sore back liniments next week.

"Banks have their troubles, too," he said. "Old notes, greasy grimy money, full waste baskets, talky customers, calendar salesmen, excuses for failures, and many other hard luck tales. But they go on keeping house.

"(The West Plains Bank had another birthday this month, too. Fifty-four years of hard work and still hitting hard. You are welcome to all the banking privileges you need. After this full week come down with a smile.)"

Comparing 1937 crops with those of 1936, one of the past Summer's columns recalled conditions last year and added:

"This year wheat is measured by the hundreds of carloads, cattle by so many thousands at ten different markets, hogs the same, calves the same.

"Big liars are branded in the community every day about the size and quantities of vegetables. 'I see by the papers' Illinois published a story about corn 12 feet high. Iowa sympathized for the poor crops in Illinois. Every stalk in Iowa is 15 feet high and still has a month of growing weather.

"We beat them all in our blackberry crop. No idle tales, tons are on the market each day in West Plains alone.

"Did you notice bank deposits are growing too? There are no corners for prosperity to turn.

"(You can even borrow money now if you have the collateral. Ask the West Plains Bank about this item. No wild-cat schemes, but honest legitimate business encouraged by this bank.)"

PRESENT MARKET CONDITIONS

On retiring from the S. E. C., James M. Landis (left) commented that extensive speculative operations in the exchanges do not make for stability or liquidity. Charles R. Gay (right), president of the New York Stock Exchange, then repeated his earlier proposal for a reappraisal of market conditions to find the extent to which the public interest is being served



KEYSTONE PHOTOS
BANKING

Overnight You Speed Work, Lessen Errors and Add to Customers' Comfort, When You **QUIET WITH ACOUSTONE**



Acoustone-treated ceiling in the First National Bank of Evanston, Evanston, Illinois.

■ Shown here is one of *many* bank interiors which have been quieted, made more beautiful *overnight* with Acoustone*, USG fireproof acoustical tile. Consider what it will do for *your* bank — your customers, your employees.

Quickly applied to new or old walls or ceilings, without loss of business time, Acoustone absorbs and dissipates noise through its millions of interconnected cells. Dignified quiet results — quiet that provides new comfort for customers, that helps speed work and reduce errors.

Acoustone requires no further decorating. Its rich integral colors and high light-reflecting surface add much to the appearance of offices and directors' rooms. Its beauty is kept fresh by simple vacuum cleaning *at a fraction of the cost of painting*. Yet painting does not reduce its ability to absorb sound. Lasting efficiency and maintenance considered, Acoustone is actually low in cost. Send for full information — now!

There's a USG Acoustical Material to Solve Every Sound-Control Problem

USG sound-control service includes absorption treatments and materials to clarify hearing and reduce noise—also sound-insulation to reduce the travel of objectionable noise from room to room. USG acoustical engineers are always available to assist you in an advisory capacity, without obligating you in any way.

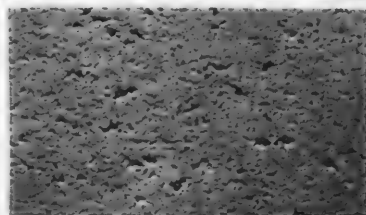


SEND FOR BOOKLET ON SOUND CONTROL

*Registered trade-mark

ENGINEERING SALES DIVISION
UNITED STATES GYPSUM COMPANY
OTHER USG SOUND CONTROL PRODUCTS ARE: PERFATILE • QUIETILE AND SABINITE

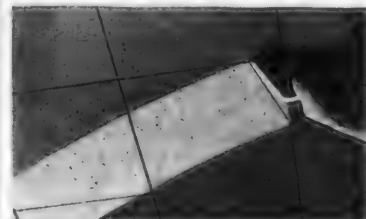
CHECK THESE FIVE ESSENTIALS OF EFFICIENT ACOUSTICAL TILE—ACOUSTONE GIVES YOU ALL



1. LASTING BEAUTY OF INTEGRAL COLORS
2. INCOMBUSTIBILITY



3. ABSORBS NOISE AS A SPONGE ABSORBS WATER—THEN DISSIPATES IT



4. LASTING EFFICIENCY—VACUUM CLEANED AT LOW COST—ALSO PAINTABLE



5. HIGH LIGHT-REFLECTION CUTS COST OF LIGHTING



UNITED STATES GYPSUM CO.
300 West Adams St., Chicago, Ill.
In Canada, Canadian Gypsum Co.
Ltd., Toronto, Ontario B-10

☐ Please send booklet, "Quiet"

☐ Please send an Acoustical Engineer

Name

Address



To the men engaged in the Banking business, investment is an important issue. They know by experience the value of accurate selection of securities best adapted to their depositors' funds. Their first consideration is the choice of safe and reliable investments which can meet their demands unfailingly.

It is natural, therefore, that a large number of Bankers and business men, when selecting their

insurance carrier, look upon the **COMMERCIAL UNION GROUP** as one of the strongest and most reliable Organizations in the world. The **COMMERCIAL UNION GROUP** is a criterion of safety.

Amply financed, ably managed, renowned for honest dealing, the **COMMERCIAL UNION GROUP** has provided sound insurance protection to individuals, to industry and to business for many years.



COMMERCIAL UNION GROUP

<p>COMMERCIAL UNION ASSURANCE COMPANY, LTD. AMERICAN CENTRAL INSURANCE COMPANY COLUMBIA CASUALTY COMPANY THE PALATINE INSURANCE COMPANY, LTD. NEW YORK</p>	<p>THE OCEAN ACCIDENT & GUARANTEE CORPORATION THE BRITISH GENERAL INSURANCE COMPANY, LTD. UNION ASSURANCE SOCIETY, LIMITED THE COMMERCIAL UNION FIRE INSURANCE COMPANY SAN FRANCISCO</p>
--	--

STOCK COMPANIES

THESE COMPANIES WRITE PRACTICALLY ALL CLASSES OF INSURANCE EXCEPT LIFE.

Loans to Small Business Men

THE small business man has long occupied a kind of no man's land in the field of bank credit. Generally, his resources have not been such as to warrant the extension of an open credit line, on one hand, while his assets, taken as a whole, are often not, strictly speaking, bankable security.

These twin difficulties are being met by some banks through the adaptation of instalment finance methods to small business loans. An example is the case of a restaurant proprietor who needed \$1,000 to enlarge his kitchen facilities to care for an expanding business. As the sum he wanted was to go largely for labor and supplies rather than for new equipment, there was no possibility of a chattel mortgage. But the man's bank arranged the loan through its instalment department on the basis of an unsecured credit to be liquidated by equal monthly repayments running over a period of a year.

Because the loan was essentially against earning power the bank made a careful check of the restaurant's ability to produce larger earnings with the larger facilities. Satisfied on this point, the bank asked also for the assignment of a life insurance policy to protect itself in case of the proprietor's death, for as he was the main spring behind the business his continued active management was essential to the successful liquidation of the loan.

CUSTOMER COVERAGE

UNDER the same formula the bank has made loans to garage operators, neighborhood theatres, dairies, roadside stands, bakers, corner grocers and so on.

Generally, the institution handles these credits through its personal loan department and weighs the applicant on the same scales as applicants for co-maker loans. But in lieu of co-makers, it requires the applicant to produce factual estimates that the loan can be liquidated out of increased earnings over a period of not more than 12 months. In cases where the business is of a seasonal nature the loan must pay out by the end of the season, and where the business covered is a one man affair a life insurance assignment is usually insisted upon. In other words the loans are personal ones made for a business purpose. They differ from the general run of improvement loans in that mortgage collateral is not required because in many instances the borrower does

not own the property he seeks to improve, but holds it only under a long term lease.

Some bankers, who have been concentrating on this type of paper, feel that it has possibilities for wider use. They point out that most loan solicitation has been aimed at the individual in need of a loan of something less than \$1,000 or at the substantial business needing in peak periods a good deal more than \$1,000. They also feel that

loans to small business men made for the purpose of expanding a business are on a sounder economic footing than the usual run of personal loans.

On the other hand loans to small business people expand community prosperity because the funds borrowed will be spent for new purchases and the increased business accruing to the borrower will tend to raise the level of the community's commercial activity.

JOHN FARNHAM



"The Little Foxes"

The *Song of Solomon* speaks of "the little foxes, that spoil the vines."

And, in banks and financial institutions, trifling peculations committed by victims of temptation to meet emergencies are the *little*, elusive foxes which most often grow to huge embezzlements, blighting the financial vine.

For the embezzler is almost always, at the outset, an average citizen of good habits and repute. *No earmarks of the criminal enable you to pick him out.*

Thus, your only course is to protect yourself with the kind of security offered by Standard Accident's Fidelity and Bankers' Blanket Bonds. 53 years of experience and a reputation for integrity, fair dealing and stability have created among financial men an insistence upon the safeguards of Standard Accident of Detroit.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

PUBLIC RELATIONS

1st in the order of Business

★ ★ ★ ★ ★ ★ ★ ★

TAKEN in its broadest sense, public relations is still a problem for primary consideration by every bank.

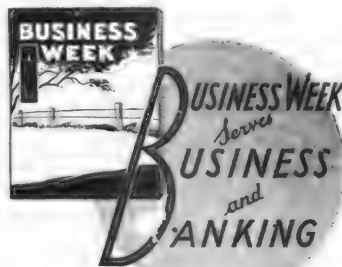
Internally, this problem is being studied carefully and training of personnel is now accepted practice in nearly every progressive bank.

Outside—your bank speaks first in its community; next, in the banking field in building and keeping your correspondent bank relationships; finally, in the national market-place.

Here, BUSINESS WEEK can be of genuine assistance to you. Business Week's audience includes many of the officers and directors of the country's leading banks—high executives in thousands of leading business and industrial concerns, the men responsible for local balances—for branch offices and branch plants. With nearly 100,000 paid subscribers like these, plus a pass-along readership of from 2 to 3 per copy, Business Week offers you a weekly audience of more than 350,000 leaders of American Business.

Many banks are now using BUSINESS WEEK consistently to tell the story of their bank and its community to this audience—men who are capable of definitely turning business to you.

We would like to tell BUSINESS WEEK'S story to you in more detail. A letter or phone call will bring our nearest representative—with no obligation on your part.



BUSINESS WEEK
THE EXECUTIVE'S BUSINESS PAPER
330 West 42nd Street, New York, N. Y.

Better Building Standards

THE importance which banking institutions everywhere are placing on sound building construction lends general interest to work being done in this connection by the savings banks of Brooklyn and Queens boroughs of New York City.

Through their Group Five Mortgage Information Bureau, the banks recently established and published requirements which they deem minimum for the construction of semi-fireproof apartment buildings. The requirements, issued in mimeograph form, fill 22 pages. Detailed and explicit, they are designed not to standardize building but to protect the investment of the banks' depositors against poor construction due either to lack of knowledge or deliberate skimping by the contractors.

In their introductory statement of policy, the banks set forth that any building on which they make a loan shall comply with these minimum specifications. The requirements, it is pointed out, "will be of definite advantage to the owners of property, guaranteeing lower maintenance expenses and longer economic life for the building." Compliance adds comparatively little to construction costs, but definitely improves the investment. Prospective purchasers of buildings are urged to insist that the requirements have been met; if they apply for a savings bank loan they will be asked to prove that the building meets the specifications.

General observations are offered on such subjects as planning and accommodations, construction materials, approvals, architects and superintendence, permits, surveys, special inspections, and submission of material samples to the lending institution for approval. Then the handbook goes into a detailed discussion of requirements on 48 general items of construction, beginning with the excavation and ending with the refrigerators with which the finished apartments are to be furnished.

Here are a few samples of the requirements, selected at random:

Cement work. Cellar floor shall be at least 3" thick stone or cinder concrete as above, with $\frac{3}{4}$ " monolithic finish 1-2 mix.

Sidewalks, yard and court paving shall consist of a minimum of 5" cinder bed, 4" stone concrete 1-2½-5 mix, with 1" monolithic finish 1-2 mix.

Sidewalk curbs, either granite, bluestone or concrete reinforced with metal corners and set on stone concrete foundation.

Timber framing. To prevent excessive deflections and plaster ceiling cracks do not use 6" deep beams for spans exceeding 12' 0"; 8" deep beams for spans exceeding 16' 0"; 10" beams not exceeding 20' 0"; 12" beams not exceeding 24' 0". If it is desired to use the above beams on longer spans, they must be designed in accordance with the actual beam sizes and not have a maximum deflection exceeding 1/360th of the span. Beam spacing not to exceed 16" centers for floors, shall be doubled for headers and trimmers over 4' 0"; and hung in wrought iron bridle irons; have 1¼" x 3" cross-bridging double nailed every 8' 0" span. Beams shall be spiked together over bearings, having wrought iron wall anchors at ends with fire cut.

Beams shall not be cut out vertically more than 2", and any greater space required for piping shall be properly framed. Where framed on steel supports, make proper provision for shrinkage.

Bearings of floor beams on walls shall be blocked up solid with slate (no brick chips permitted).

Plastering and stucco. Materials: Lime plaster shall be mixed as follows:

Encourage use of ready mixed patent plaster . . . ; also patent finishing lime. Use of neat gypsum plaster and calcined gypsum is recommended.

Scratch coat—1 part lime & 1¼ parts sand, with sufficient hair or fibre as binder.

Brown coat—1 part lime and 3 parts sand by weight.

Hard white finish—lime putty at least three (3) weeks old gauged with calcimined plaster.

Sand finish—lime putty and sand in desired proportions.

Bond plaster to be mixed as per manufacturer's directions.

Portland cement mortar scratch shall be provided behind tile or marble—1 part cement and 3 parts sand when applied on masonry; and 1 part cement and 1¼ parts sand when applied on lathed surfaces. . . .

Interior woodwork. Except for doors:—all frames, trim and other wood finish shall be B select and better, white pine, birch, spruce or fir.

Materials for painted finish may contain such sound tight pin knots as will not detract from the finished appearance and shall be free from heavy sap-stain, worm holes exceeding 1/16", or other defects impairing either the durability or appearance.

Material for natural, stained, varnished, lacquered or waxed finish shall be free from knots, shakes, sap-stain, worm holes or other defects impairing either durability or appearance.

Materials having marked difference in color shall be selected to obtain uniform color.

Where vertical grain is specified the material shall be free from coarse pores.

Where panels or other portions of the work are specified to be selected for figure and grain, the material shall be carefully matched for figure and color.

All material for interior finished woodwork shall be kiln dried and protected from moisture. . . .

Water piping. Cold water piping shall be copper, brass, genuine wrought iron or approved alloy iron; and hot water piping shall be Class "A" brass or copper. All pipe sizes shall be proportioned for 25 per cent of full load, no piping less than ½"; installed with proper pitch and free from traps or pockets; with air chambers at top of risers at least 18" above highest fixture connection. Hot water system shall have circulating risers and mains properly installed and insulated.

Piping buried in floor fill shall have 2 ply felt wrapping wired on and have semi-circular galvanized iron covers to keep piping free from floor fill and allow for hot water insulation thickness.

All exposed piping in living portions of building shall be chromium plated.

Access must be given to all valves and traps, and access panels provided if necessary.

Refrigerators. Each apartment shall have a mechanical refrigerator of standard manufacture as approved and have unconditional 5 year guarantee. Capacity not less than 3 cu. ft. for 2-room apartments; 4 cu. ft. for 3- and 4-room apartments, 5 cu. ft. for 5- and 6-room apartments, and larger in proportion.

Conditioned air. Air conditioning for better type buildings is recommended. Such equipment shall be of recognized high standard manufacture and of a type to assure filtered and tempered air properly circulated by means of inlet and exhaust ducts.

The Problem of the person who is able to acquire safe and conservative investments only by saving systematically and who knows the wisdom of investing scientifically is, in turn, the problem of every bank executive and investment banker who would give impartial advice. This association exists to provide uncolored facts—authoritative information—about the practical and attractive investment plans of its members . . . a booklet will be mailed on request.

Financial Program Foundations

70 Pine Street, New York City, New York

AMERICAN PARTICIPATIONS, INC.
BENJAMIN FRANKLIN FOUNDATION, INC.
CAPITAL SAVINGS PLAN, INC.
FINANCIAL INDEPENDENCE FOUNDERS, INC.
HAMILTON DEPOSITORS CORPORATION, INC.
INCOME ESTATES OF AMERICA, INC.
INCOME FOUNDATION, INC.
INSURED INVESTORS, INC.
LEXINGTON FOUNDATION, INC.
LIBERTY THRIFT FOUNDATION, INC.
NATIONAL TRUSTEE FUND, INC.
STANDARD FOUNDATIONS OF AMERICA, INC.
UNITED ENDOWMENT FOUNDATION, INC.
WELLINGTON FOUNDATION, INC.

Home Mortgage Interest Rates

THE cost of mortgage money, one of the key factors affecting home building and buying, is again surveyed by the National Association of Real Estate Boards in its 29th semi-annual analysis of the realty market. Some decrease in interest rates is shown as compared with a year ago, although the high-rate spread is somewhat more general than six months ago.

Of 245 cities from which the Association received reports on mortgage inter-

est rates through its member real estate boards, the largest number still check 6 per cent as the commonest rate for first mortgage loans on new, moderately priced homes. This rate, commonest in 59 per cent of the cities, has held the same position steadily through the recovery years, the Association says, as shown by the half-yearly surveys since February 1935.

However, 13.5 per cent of all the cities mentioned no rate as low as 6 per cent;

in other words, their entire range was above that figure. Of the 245 municipalities, 9 per cent said new home loans are most commonly being made at 7 per cent or higher. One per cent gave a range up to 8 per cent.

On the other hand, home mortgages being made today commonly carry an interest cost of less than 6 per cent in 43 per cent of the replying cities. The range of rates now common runs as low as 4½ per cent in 2 per cent of the communities, while none reports a range lower than 4½ per cent, although previous surveys have shown a 4 per cent rate in a few cities. No city now names a higher rate than 8 per cent as common.

A year ago costs of over 6 per cent were shown in 20 per cent of the cities and a range under 6 per cent in only 33 per cent of the cities. But six months ago only 8½ per cent of the cities were in the group whose entire range of interest rates for first home mortgages was above 6 per cent.

Decided geographical variations are found in the reports. The most notable variation, however, is between larger and smaller cities. Cities citing an interest rate ranging above 6½ per cent as common are in all cases cities of under 100,000 population.

In all, 72 per cent of the cities have as their commonest interest rate a figure in the 6-8 per cent bracket.

AN UNBROKEN RECORD OF PROTECTION AND PROFITS FOR BANKS



—LAWRENCE SYSTEM field warehousing

For the more than 21 years of LAWRENCE SYSTEM operation, our warehouse receipts have withstood every test for validity and security against third-party claims. They have proved wholly adequate protection for loans under hundreds of cases of receivership and bankruptcy.

Moreover, LAWRENCE SYSTEM operations go beyond all legal requirements. A million-dollar insurance policy, the largest of its kind ever issued, is carried for the benefit of banks holding LAWRENCE SYSTEM warehouse receipts. You would be fully protected by this insurance if the validity of our warehouse receipts

were ever attacked or if we failed to establish and maintain bailment, or if we failed in any other way to live up to our legal liability as warehousemen. This policy is continuously in force, yet no bank has ever had to avail itself of this added safeguard.

Best of all is the fact that this superior service costs your bank nothing. It can be used in connection with almost any commercial account. For information on specific problems, consult Department B-11 of our nearest office. And write for free copies of the explanatory booklet, "Warehouse Receipts as Collateral."

Creating Commodity Paper Against Inventory

**LAWRENCE
SYSTEM**

A. T. GIBSON, President

Member: AMERICAN WAREHOUSEMEN'S ASSOCIATION — Since 1916

NEW YORK: 52 Wall St. • CHICAGO: One North LaSalle St. • KANSAS CITY, MO: Commerce Trust Bldg.
ST. LOUIS: 1505 Federal Commerce Trust Bldg. • BOSTON: 49 Federal St. • BUFFALO: Liberty Bank Bldg.
SAN FRANCISCO: 37 Drumm St. • LOS ANGELES: W. P. Story Bldg. • FRESNO, CALIFORNIA: 2030 Anna St.
PORTLAND, ORE: U. S. Nat'l Bank Bldg. • SPOKANE: 155 South Stevens • SEATTLE: 1014 Fourth Ave. South
DALLAS: Santa Fe Bldg. • HOUSTON: 1001 Shell Bldg. • MINNEAPOLIS: 835 Plymouth Bldg. • HONOLULU

CERTIFIED ON CHECKS...LAWRENCE ON WAREHOUSE RECEIPTS

I.C.C. MEMBER

John L. Rogers (below) of Tennessee has been appointed a member of the Interstate Commerce Commission to succeed Hugh M. Tate, whose term has expired



The Banks and Real Estate

THE banks are gradually increasing their holdings of real estate loans, although the total is still considerably below the volume outstanding immediately after the 1928-1929 boom.

The height of the business in urban real estate loans as measured by holdings of Reserve member banks was at the end of 1930 when the total was \$2,847,045,000. A considerable portion of this volume probably represented loans which were more or less involuntary on the part of the banks—mortgages taken to secure loans previously made on other collateral.

The lowest point was reached on December 31, 1934, when the total was \$2,011,565,000. On June 30, 1936, the total was \$2,084,022,000. By the end of the year it had increased to \$2,146,305,000. On June 30 last the record stood at \$2,240,866,000,—an increase of \$156,844,000 during the fiscal year.

Farm mortgage loans also are slowly increasing. The low point in recent years was reached at the end of 1935 when the amount held by the banks was \$251,215,000. On June 30, 1936, the total was \$256,156,000 and at the end of last year the figure was \$258,227,000. Last June 30 the figures stood at \$264,505,000.

A considerable dent has been made in banks' holdings of real estate other

than their own business plants. The top figures in member bank property for sale was reached in June 1936 when the value was \$379,457,000. It dropped to \$367,486,000 at the end of the year, rose to \$368,868,000 in the March report, and fell again to \$353,714,000 at the end of last June, thus showing a decrease of \$25,743,000, or 6.8 per cent, during the fiscal year. For all banks in the deposit insurance system the decrease during the year was from \$574,019,000 to \$537,425,000, indicating a

slightly lower percentage of sales. Inasmuch as this decrease was effected in the face of a campaign to clean up bank portfolios of mortgages by foreclosures in line with the policy followed by government lending agencies and most other mortgage loan concerns, the showing is better than might at first appear. There are indications that for the first time in a decade bank real estate loans are now particularly clean while real estate held for sale undoubtedly has passed its peak.



America's Richest Agricultural Market

In the Seventh Federal Reserve District, there are 2564 banks. One of every seven maintains a Chicago correspondent balance with Live Stock National — *The Bank of Agriculture*.

Here their collections and transit items get quick, accurate clearance. Here they are kept authoritatively informed of the latest developments in agriculture. Changing market and economic conditions are interpreted to them in terms of their own problems.

Here they find friendly service and sound counsel far beyond the usual meaning of correspondent cooperation . . . As you will, too. We invite your consideration.

THE LIVE STOCK NATIONAL BANK OF CHICAGO
UNION STOCK YARDS ESTABLISHED 1868

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

DIRECTOR RESIGNS

David Saperstein, director of the trading and exchange division of the Securities and Exchange Commission, has resigned to re-enter the private practice of law



WIDE WORLD

Here's News for YOU ...

That you and your secretary,

with shorthand, spend about twice the time that you ought to on each day's mail. The answer lies in a technique so simple it's amazing ... and impossible the shorthand way.



That your phone calls can be put on the record while they happen with Dictaphone—thus making orders given or taken mistake-proof and alibi-proof. You'll be interested to see how easily it's done.



That your whole staff works better and more smoothly with the Dictaphone. Less confusion. Fewer misunderstandings. More gets done ... at an easier pace!



That shorter conferences are one of the biggest benefits of this modern dictating machine. And not just shorter, but meatier, too. Most men find this an especially fascinating part of a Dictaphone demonstration.



That the whole story of Dictaphone ... what it does, and who now uses it, and how they like it ... is yours for the asking. In your own office. As briefly told as you wish. With no obligation. Mail the coupon and we'll do the rest!

**THE TREND TO
DICTAPHONE
SWEEPS ON**

Dictaphone Sales Corp., 120 Lexington Ave., R 10
New York City.

In Canada—86 Richmond St., West, Toronto

☐ Please let me know when "Two Salesmen in Search of an Order" will be exhibited in my city.

☐ I want to see your representative.

Name _____
Company _____
Address _____

The word DICTAPHONE is the Registered Trade Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade Mark is Applied.

Lobby Relations

"RECENTLY," said a person who is interested in banks, "I had occasion to call on the presidents of four banking institutions in a large metropolitan area. I believe much can be learned from a recounting of the receptions given me.

"On entering the first bank my immediate impression was that of being surrounded by armed guards with guns prominently displayed. The thought flashed through my mind that Britain had just shipped another few hundred millions in gold direct to this bank; or maybe bank guard maneuvers were being held in the lobby.

"Crossing the lobby to the officers' quarters and feeling somewhat like Mr. Milquetoast, I approached—or to be more correct, I was stopped by—a hefty guard who asked me quite courteously whom I wished to see. While speaking with him, I noticed other guards keeping what appeared to be a watchful eye on me, and all in all the 'Fort Knox' reception was anything but pleasant. Leaving the bank later, I wondered if this prominent display of armed strength was really necessary and whether it may not have a tendency to drive business elsewhere."

THE GUN WAS A FORMALITY

THE second institution visited was a \$30,000,000 national bank. There was only one guard in sight, a kindly old gentleman of 70 or thereabouts in a uniform somewhat the worse for wear. His coat was unbuttoned and his gun made a hump in the rear, evidently placed more for comfort than for accessibility. And he was contentedly eating an apple! In course of conversation while waiting, the visitor learned that the guard was instructed to always carry his gun but that he had "no time for it" and seldom attempted target practice.

Later, an officer laughingly remarked that he would hate to be around if "Old George" ever fired his gun.

Here was a guard who would certainly be useless in any emergency and whose appearance and conduct was anything but an asset to the institution.

"My third call," continued the observer, "was on a district trust company with deposits of about \$8,000,000. I was a stranger to the guard in the lobby, and upon asking him for the president I was asked in turn and point blank what I wished to see him about! Resent-

ing and evading such a question, I was then told the president did not see anyone except by appointment—he was a very busy man—and wouldn't somebody else do! Evidently this guard was a watchdog instructed to keep the President (capital P) undisturbed by mere customers.

"I wondered what would be the impression of such a reception in the mind of an influential new customer or—rarity of rarities these days—an applicant for a substantial line of credit."

A WELCOME DIFFERENCE

THE fourth and last call of the day was at another district bank—a trust company with deposits of \$20,000,000, and here the visitor found reception perfection. A guard came towards him as he walked over to the officers' quarters. Well groomed, smartly uniformed with no prominent artillery, the attendant offered a friendly smile and a "Good morning, sir. Can I help you?" The caller asked for the president and was informed: "He has a gentleman with him at the moment (what a change from being in conference!) but I don't think you'll have long to wait. Will you come over and meet his secretary?"

As he said this, he snapped his fingers, and the visitor noticed another guard coming across to take the first man's place as receptionist.

Walking to the secretary's desk, he asked, "Might I have your name, sir?" Then, "Miss Smith, this is Mr. Brown who wishes to see Mr. Jones." A smile from Miss Smith and a "Won't you sit down, Mr. Brown? I believe Mr. Jones will be at liberty in a few minutes."

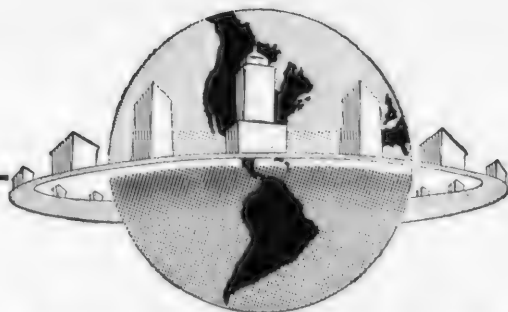
In the meantime, the friendly guard had found a newspaper for the bank's guest and then quietly returned to the lobby.

A few minutes later, the previous visitor left and the secretary said, "Will you come in now, Mr. Brown?" Preceding him into the president's room, she said, "Mr. Jones, this is Mr. Brown."

She did not ask his business and then go in to see if Mr. Jones would see him; nor did she say, as is often said, "You may go in now," and leave him to enter alone.

Needless to say, he received equal courtesy from the president, and as a final friendly gesture, the guard remembered his name as he was leaving, with a "Good day, Mr. Brown".

"In these days of much discussion as to how best to improve public and customer relations, perhaps the bank lobby is a good place to make a start," concluded the person who told the story.



World-Wide Connections for Banks in the United States

This institution, through its branch system in Canada, Latin America and overseas, is in a favorable position to serve the needs of American banks in the conduct of their foreign business.

We solicit your patronage



**THE ROYAL BANK
OF CANADA**

Head Office, Montreal, Canada

New York Agency, 68 William St.

Total resources exceeding \$880,000,000

OVER 700 BRANCHES IN:

CANADA ARGENTINA BRAZIL BRITISH GUIANA BRITISH
HONDURAS BAHAMAS COLOMBIA GREATER & LESSER ANTILLES
NEWFOUNDLAND PANAMA PERU URUGUAY VENEZUELA

Also in LONDON, PARIS

Increased reserve requirements

emphasize the necessity for quickest conversion of items into funds available for reserve, loan and investment purposes.

Recognition of Bank of America's unique ability to effect this conversion is evidenced by a constantly growing volume of deposits from banks and bankers.

Today, more than ever before, Bank of America, with its 487 branches throughout California, occupies the position of the "banker's bank" of the Pacific Coast.

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION



MAIN OFFICES
SAN FRANCISCO . . . No. 1 Powell Street
LOS ANGELES . . . 660 South Spring Street



Standard Account Analysis

IN *Present Day Banking 1937*, Ben E. Young writes (page 284): "There are too many kinds of service charge schemes in effect. There is a fairly scientific answer to the need for a formula for finding item costs and we should give the matter attention to the point of arriving at a sane and sensible result."

Also in regard to item costs, John N. Edlefsen says on page 301 of this book: "Uniformity in method in this depart-

ment is greatly to be desired. Corporations and individuals having deposits in different banks are justified in their criticism of the variety of methods of bank analysis.

"Banks do not need to apologize for asking commercial depositors to pay their way. In the final analysis, the depositor himself has complete control over the amount he pays. The bank does not dictate—in fact, has no control over the activity which the deposi-

tor requires. Therefore, the amount of the charge is really in the depositor's hands and his alone. But he is entitled to know that the method the bank is using is fair and proper, and he is entitled to have a uniform method used by all the banks with which he does business."

It is extremely encouraging to find the large amount of material that is coming to light representing careful and conscientious study on the part of bankers. Even though these studies do not completely harmonize in point of view, each contributes material that confirms, supplements or corrects the point of view of another and gradually leads to a position where it will be possible to assemble all the findings and consolidate them into a formula of standard practice which can be followed in principle by all banks based on their own individual prevailing costs.

This standard practice is greatly needed, as the sales resistance created through the practice of varying methods of treatment of fundamental facts in cost accounting is a serious handicap to the banks and tends to discount their standing as accounting organizations in the eyes of customers using many banks in a district or national office.

SOUNDNESS FIRST

THE day is rapidly approaching when the bank that is satisfied with a method merely because it increases revenue will be forced to correct its ways if the procedure does not embrace sound cost accounting practice and mutual equity. Accounting executives of large businesses and corporations are constantly forcing this issue to the front.

I recently called on an officer of a company using 465 banks, and raised the question as to his opinion regarding the correctness of figuring reserve and required profit against gross ledger balance rather than net collected balance. He immediately turned to his file and passed me a letter he had written to a bank which figured these factors on gross ledger balance; he had criticized this procedure. The bank wrote back to the effect that the institution did not know too much about it and assumed that he was correct and in a position to judge, and that it was immediately changing the method.

I am not saying that this customer was necessarily correct but merely pointing out the fact that both of these



The Riggs National Bank

OF WASHINGTON, D. C.

welcomes the opportunity to be of service to
bankers and their clients in the
Nation's Capital.

Complete Banking and Trust Service

ROBERT V. FLEMING

President and Chairman of the Board

GEORGE O. VASS

Vice President and Cashier

Resources over \$100,000,000

Member Federal Deposit Insurance Corporation

methods can not be right and that both are being quite generally practiced, much to the confusion of the customer and the discredit of the accounting methods of our banks.

The extent of inconsistency prevailing throughout the country is admirably covered in an extensive survey made by the Bank Management Commission of the American Bankers Association as reported in *Bulletin No. 69*. On Page 3 is the following:

"While banks now recognize the advantages of analyzing accounts, there is lack of uniformity as a whole in the development of methods and types of analysis plans. These variations are not sectional, although in a number of states the effects and accomplishments of state bankers' associations toward uniform plans are distinctly indicated by the survey.

"The primary purpose of this booklet is to stress the need for a greater uniformity and to urge banks to adopt more nearly uniform methods of account analysis. Treasurers of corporations having deposits in banks in all parts of the country criticize the many types of analysis plans in use. Their criticisms are not directed at paying reasonable charges for services rendered them, but at the widely varying methods of analyzing their accounts, resulting in varying charges even where balances maintained are practically the same in all banks."

G. B.

UNEMPLOYMENT TABULATOR

John D. Biggers has been appointed by the President to supervise the taking of a census of the nation's unemployed as authorized by an act of Congress. Mr. Biggers is president of the Libby-Owens-Ford Glass Company of Toledo



WIDE WORLD

IN what type of banking service are your active depositors interested?

Some of them may seek investment advice; others will rent safe deposit boxes; a few may need to borrow money.

But whatever their contacts may be, they all deposit and draw checks. They would therefore be glad to know that you use the best available facilities in providing this valuable service.

An account with us will assure to you and your clients the best that banking affords in the way of efficient check collection.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Capital and Surplus . . . \$30,000,000

Member of Federal Deposit Insurance Corporation

In a Trust Department

By HERBERT FLINT

DO you think of trust service as something intangible and impersonal? Then let's start this trip with a look at something very tangible—the trust vault. Just a compartment in the safe deposit department, but the contents of this small room are worth millions. No, John Doe's securities in trust never get mixed up with those of the bank or some one else.

Everything is segregated. Those boxes hold the bank's own securities.

Here are the assets belonging to trust customers. Let's look at a typical trust folder, containing perhaps \$100,000 worth of securities—maybe two dozen items in all, or a hundred. It's marked with the customer's name and an account number. Everything in it is indexed and cross indexed in the vault custodian's records. On top are bonds, alphabetically arranged. Below are

stocks. The record kept here must tally with that in the trust bookkeeping department, and auditors constantly check to see that these records correspond, even to the uncut coupons on bonds. Bank examiners also periodically come in, unannounced, and verify every asset. We're insured against fire and burglary, etc., our employees are bonded, and two persons, one an officer, must be present when trust securities are handled. A record is kept of every entry, of every item added to or taken from an account for any purpose. A doubting trust customer can come in at any time, without previous notice, and actually see and count his securities if he wishes. How many Government bonds are there in this vault, and in what trusts are they held? A record upstairs shows all that down to the close of business last night.

What could be more tangible than the vault and its contents? Take a drawer, for example. It's full of wills left for safekeeping—without charge, incidentally. The maker wants to be sure his will can easily be found without fail; that it will be safe from prying eyes and tampering; yet readily accessible. He brings it here. It is sealed and put in this vault. He gets a receipt, a copy of which we file. If he withdraws his will, he receipts to us, and we file that receipt too. Why not keep one's will in one's own safe deposit box? That's easy—you may have the only key to it.

Let's go back upstairs and see the trust bookkeeping department. That big machine can do about everything necessary for a trust record except cash a check for you. Every transaction relating to principal or income goes through that machine, giving a record broken down in many different ways to facilitate auditing. Here are the permanent reference sheets on a trust account, three sets for each account. One lists the assets in the estate or trust principal. Another records income received and disbursed. A third summarizes instructions to the department, its authority under wills, trust agreements, powers of attorney, etc. Looking over these three sets of sheets, the officer in charge of supervising an account can see at a glance how it stands.

That check-writing machine is busy today. In some 16 different states and four foreign countries, not to mention hundreds of homes in this immediate vicinity, trust income checks are being awaited by widows, retired business men, wives having independent incomes

THEY HAVE A RIGHT TO FEEL SECURE



*Their policies are
Non-assessable*

After years of saving, hoping and planning, their "dream house" is at last taking shape. Correct design and sound construction assure permanent value for their investment. Time-tested, non-assessable insurance in old-line stock companies, furnished by their trusted home-town agent, gives them the

right to feel secure. You too, have a right to feel secure when the real estate loans you make are backed by this sound protection. When the name on the policy is a company of the Fireman's Fund Group, you can feel certain it will be *always worth par when misfortune strikes.*

Their insurance is in a company of

FIREMAN'S FUND GROUP

Fireman's Fund Insurance Company - Occidental Insurance Company

Home Fire & Marine Insurance Company

Fireman's Fund Indemnity Company - Occidental Indemnity Company

New York • Chicago • SAN FRANCISCO • Boston • Atlanta

Fire • Automobile • Marine • Casualty • Fidelity • Surety

DEPENDABLE INSURANCE SINCE 1863



Now they've got **EMPLOYMENT INSURANCE FOR CAPITAL**

"THERE have been times when I couldn't look at my balance sheet without wincing at the amount of my receivables. Today, with sales at the highest mark in years, I probably wouldn't have a finger nail left if it were not for the credit-insurance feature of Commercial Credit Company's new open account financing plan."

COULD HAVE USED THE MONEY

"For years I was a 'die-hard' on the subject of discounting my receiva-

bles. I could have sold all or any part of them to Commercial Credit Company at a low discount rate and put the money right back to work earning discounts, buying materials at cash prices, increasing volume, covering pay-rolls without borrowing. In every way, I stood to profit. But there was one rub . . . one angle that always stopped me."

THE LIMITED LOSS clause is a sound new development introduced exclusively by Commercial Credit Company to widen the scope of this modern form of industrial financing. Investigate its application either to your regular needs or to any special problems of your business. Full details on request . . . no obligation.

CONSERVATIVES TAKE NO CHANCES

"Suppose I got my cash, ploughed it back, built up my inventories, expanded my sales—and then had one or two of the big accounts I had sold go bad. I couldn't take the chance. Better to wait for my collections to come in, was my idea. So I continued to plod along with the good old ultra conservatives no matter how profitable the opportunities I had to pass up."

FITS STAND-PATTER POLICIES

"Now it's different. Commercial Credit Company has introduced a new feature that makes open account financing available and attractive to stand-patters like me. The Limited Loss clause fits my temperament and my business policies perfectly. I'm cashing my receivables now and employing my capital, *protected by employment insurance.*"

COMMERCIAL CREDIT COMPANY

NEW YORK

CHICAGO

PORTLAND, ORE.

SAN FRANCISCO

BALTIMORE

in their own right—and every other sort and condition of man, woman and institution whose property is being managed by this trust department. The bank hasn't seen some of its trust clients for years. Everything is handled by mail.

Let's rest a minute in this conference room. It's for people who want privacy when discussing estate affairs. These soft rugs, this early American furniture, the oil paintings on the walls, that comfortable old fireplace—all are part of the picture. Wills? Yes, we are frequently asked to draw a will, though not so much as formerly. Of course we can't—

it's legal business, and we always tell people to see their own attorney. No, we will not even recommend an attorney. Nor would we draw a will even if we had the right. Trusteeship calls for strict impartiality. Suppose we drew a will naming ourselves as executor and trustee, and later there was litigation. As trustee we might have to criticize our own acts as legal adviser—an impossible situation.

Now let's see the very heart of a trust company—how trust investments are handled. Glance into that office lined with books. That's where the statistician and his assistants spend their time

interminably digging out facts about two kinds of investments—those now held in trust accounts, and those not now held in trust accounts, but which might be better than some that are held. Finding the best investment for each client's particular needs is an unending job. One man can't do it all today.

The department also employs independent outside investment advisers. Of facts there is no dearth. There are so many that one must be alert every moment to keep up with them and then interpret them. Every trust account is directly supervised by a trust officer. An investment committee makes the final decision on what to buy or to keep. The committee's at work in the next room now—the president, the trust officer, the executive vice-president, four directors who have been lifelong investors, and the statistician. A certain number of trust accounts will be reviewed today. This reviewing never ceases, month after month, year after year.

The discussion in that meeting may turn on any of a hundred points. When handling trust investments we must consider the client's personal circumstances, the condition of individual businesses or even whole industries in which he may have invested, the general business outlook both at home and abroad, taxation, tariffs, monetary problems, the likelihood of war, strikes, changes in fashions—those and many other matters.

The human interest stories in a trust department would make thrilling reading if they could be printed. When you handle other people's property you deal with their private lives as well. That adds peculiar interest to the fact that, turn wherever you will in a trust department today, you constantly meet the question, "What will be best for the client?"

Credit for Joseph

To the Editor:

IN your September issue, on page 5 in "Washington Briefly", you refer to Secretary Wallace's adaptation of the seven fat years and seven lean years scheme of Moses. King James, in a heretofore unchallenged version of the scheme, and recorded in Genesis 41, gives Joseph credit for the idea as inspired by Pharaoh's dream. Moses did not appear on the scene until somewhat later. We hope that you will give Joseph proper credit in an early issue.

D. JACKSON

Philadelphia



ESTABLISHED MARCH 24, 1933

☆

RESOURCES EXCEED

\$400,000,000

☆

NATIONAL BANK

OF DETROIT

DETROIT, MICHIGAN

Member Federal Deposit Insurance Corporation



Our complete banking facilities insure out-of-town banks and bankers prompt, efficient and economical handling of accounts in Chicago—we invite you to use our facilities.

CITY NATIONAL BANK
AND TRUST COMPANY of Chicago

208 SOUTH LA SALLE STREET

(Member Federal Deposit Insurance Corporation)

Supplemental Social Security

THE New York State Bankers Association and the Illinois Bankers Association have recently completed employee retirement plans for member banks. This brings to four the number of states in which action of this nature has been taken by banking organizations, the other two states being Oregon and New Jersey. There follow brief accounts of both the New York and the Illinois plans.

New York's Plan

THE New York State Bankers Association, after more than two years of study, has a plan for a system which the bankers themselves will operate. It gives protection against death, total and permanent disability, and old age, management being vested in trustees. None of the other state association plans has the feature of self-operation.

Employees and employers will contribute jointly. Retirement, as is generally customary, will be provided for men at age 65 and for women at age 60. Employees incapacitated after 10 years or more of service in a participating bank are made eligible for disability allowance, and there is a death benefit payable to the estate of an employee who dies before his retirement eligibility date.

Contributions by employees are 4 per cent of annual salary, while banks will put varying amounts into the fund, depending upon the ages of employees and the extent to which credit is given for past service. In general, however, the employing institution's participation will amount to about 5 per cent of the total payroll.

Retirement annuities vary with the length of time employees have contributed to the plan. The disability benefit is an annuity based on the employee's paid-up contributions, to which is added a pension equal to 75 per cent of the pension he would have received at the normal retirement age on account of the bank's contributions. The death benefit is the employee's own contributions with accrued interest, plus an amount equal to half of his yearly salary.

Employees wanting a larger annuity may be permitted by the trustees to contribute more than the normal 4 per cent annually.

Persons who leave the employ of a participating bank may resume their connection with the benefit plan by re-affiliating themselves with the same or another institution within two years; if more than two years have elapsed they will be considered as newcomers.

Retirement benefits are offered as follows: a straight life annuity, a refund annuity, or an annuity payable as long as either he or his designated beneficiary shall live.

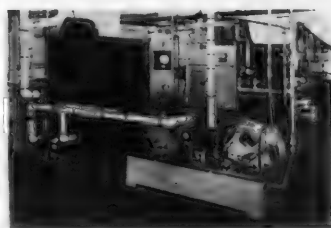
It is expected that the plan can be made effective on January 1, 1938. Its operation is made contingent upon acceptance by banks having a minimum of 1,000 employees.

The trustees administering the fund are: Raymond F. Leinen, executive vice-president, Lincoln-Alliance Bank and Trust Company, Rochester, as chairman; H. H. Griswold, president, First National Bank and Trust Company, Elmira, as vice-chairman; George F. Bates, vice-president, Power City Trust Company, Niagara Falls; David C. Warner, president, Endicott Trust Company, Endicott; Henry D. Fearon, president, Oneida Valley National Bank, Oneida; James E. Vorhees, president, Farmers National Bank, Amsterdam; T. H. DeLairé, vice-president, Fishkill National Bank, Beacon; John W. Roeder, vice-president, Peoples National Bank, Brooklyn; D. H. Morris, Jr.,

LINDELL TRUST CO. St. Louis, Missouri uses CARBONDALE AIR CONDITIONING EQUIPMENT



Customers prefer banks that are comfortable



Typical installation of Carbondale Air Conditioning Equipment

Complete comfort means:

- More customers
- Increased employee output
- Greater profit

A Carbondale specialist, backed by an organization with 37 years of experience, will gladly tell you about Carbondale's new air conditioning features, and what Carbondale has done for other banks and institutions. There is no obligation.

CARBONDALE
DIVISION

WORTHINGTON PUMP AND MACHINERY CORPORATION

General Offices: HARRISON, NEW JERSEY

Offices and Representatives in Principal Cities

CA7-27

CARBONDALE

FIRST IN BUSINESS CONTACTS...



★ DIRECTLY...

and through hundreds of correspondents... the First Wisconsin National Bank of Milwaukee enjoys day-after-day contact with leading commercial, industrial and agricultural enterprises in every section of Wisconsin. This fact alone makes a First Wisconsin connection definitely valuable to almost any national business corporation interested in this important mid-western market... for these unparalleled contacts enable this bank to offer constructive service that goes far beyond the ordinary limits of routine commercial banking. Total resources of the First Wisconsin are over \$200,000,000.



★
**FIRST WISCONSIN
FIRSTS:**

SIZE
SCOPE OF SERVICE
FACILITIES
BUSINESS CONTACTS
FIRST CHOICE of
Wisconsin Banks

Member of the Federal
Deposit Insurance Corp.

**FIRST
WISCONSIN
NATIONAL
BANK**
of Milwaukee

vice-president, Bank of New York and Trust Company, New York City; William L. Gillespie, president, National Commercial Bank and Trust Company, Albany; and J. Herbert Case, of R. W. Pressprich and Company, New York City.

The plan was drafted with the assistance of George B. Buck, actuary for the pension fund of the Federal Reserve System, which also is self-managed.

The Illinois Plan

THE Illinois Bankers Association offers to its member banks an employees' group annuity plan to be administered by The Equitable Life Assurance Society of the United States. Approved by a special committee and by the association's Council of Administration, the plan, which takes into account the participation by some banks in the Federal Social Security system, is designed to become effective on November 1.

In presenting the plan to the membership, the association's Committee on Group Annuity Plan says that employers who have had "the foresight and wisdom to adopt a sound retirement plan have found it to be one of the best investments which they have ever made."

WHERE THE FEDERAL ACT FALLS SHORT

"AN analysis of the Social Security Act," asserts the committee, "shows that it does not fully meet the needs of employees. It does not take into consideration the years of service of older employees. It does not provide old age benefits for employees who were 61 or over on January 1, 1937. Finally, it does not assure monthly payments after retirement sufficiently large to meet the demands of the future. It is especially interesting to note the number of organizations, both large and small, which have adopted private retirement plans to supplement the benefits provided by the Social Security Act. There is every reason to believe that industrial and financial concerns will continue to make provision for pensions, in addition to those provided under the Social Security Act."

In view of this, the committee and the council "feel that the benefits to be provided under the Social Security Act should be supplemented, that the supplementary plan should be on a sound reserve basis, and that this plan should be adopted without delaying until employees of national banks and state banks which are members of the Federal Reserve System are made eligible for the Social Security Act."

The employee and the bank will each contribute from 4 to 6 per cent of the employee's monthly salary, according to the employee's age at entry into the plan in accordance with the following scale:

Age at entry into plan	Percentage of monthly salary contributed by employer and employee
34 and under.....	4%
35 to 41.....	5
45 or over.....	6

For banks eligible to participate in the Federal plan, the employee's and the employer's contributions, based on the first \$3,000 of annual salary, will be reduced by the amount of the tax required under the Federal plan to a minimum of 2 per cent of salary. Contributions based on the excess of salary over \$3,000 per year for employees entering the plan at age 34 or under will increase to 4½ per cent in 1946 and to a maximum of 5 per cent in 1949 so that the total

contributions will be the same percentage of full salary whether more or less than \$3,000.

For member banks not eligible to participate in the Federal plan, the employee's and the employer's contributions will remain the same as indicated in the foregoing table except that the contribution for employees entering at age 34 or under will increase to 4½ per cent in 1946 and to a maximum of 5 per cent in 1949. Thus the employees of all member banks, whether eligible to participate in the Federal plan or not, will be contributing the same percentage of salary towards a retirement program.

"Past service" annuities are to be provided wholly at the expense of the bank. Normal retirement date is the November 1 nearest the 65th birthday for men and the 60th for women, and normal retirement income under the plan is on the life annuity basis which provides for the continuance of income payments during the annuitant's lifetime. There are optional retirement benefits, and provisions covering termination of service by death and withdrawal.

PAST SERVICE ANNUITIES

PROVISIONS for past service annuities are as follows: The employing bank expects to provide at the member's normal retirement date a monthly life income equal to 1 per cent of his salary for each year of credited past service up to the date the participating bank joined the plan. In determining the period of past service credited, the bank may elect, when it enters the plan, to (a) credit all service from the member's date of employment, or (b) to limit such service after a member's date of employment to that rendered after the employee reaches the 35th or the 40th birthday. The bank may pay for the deferred annuities in a lump when it enters the plan, or it may spread the purchases over a period of years.

In order to make a group annuity contract the association found it necessary to form an incorporated body, the Illinois Bankers Foundation, Inc., management of which will be under the control of banks participating in the annuity plan.

"The need of a retirement plan," said the committee in recommending its plan to the Illinois banks, "is not a new idea in banking organizations. For decades employers have realized the necessity of a retirement plan whereby old and faithful employees may be retired on adequate incomes at the end of their period of usefulness.

"Business is rapidly coming to the realization that it is sound policy to establish a depreciation account for the replacement of worn-out man power, the same as is now done as a common procedure in connection with the depreciation of buildings and equipment. Employees who are free from worry as to their future old age become free from a major worry today, with resulting increase in their current efficiency. A retirement plan improves the morale of young employees, since they are provided a quicker opportunity for promotion.

"The value of a definite retirement program is increasingly appreciated by employees who, after 10 or 15 years of service, usually are the backbone of any organization. In other words, their salaries really consist of part pension and part wages. From the numerous benefits indicated as a result made by the Committee on Group Annuity Plan, we believe that the adoption of a retirement plan is an excellent investment."

Members of the Illinois committee were: J. E. Mitchell, First National Bank, Carbondale, chairman; F. F. Noleman, Old National Bank, Centralia; and B. J. Schwoeffermann, Citizens National Bank, Chicago.

October 1937



One ABA Convention Advantage

you can have the year around

One of the principal values in an ABA meeting is the great wealth of useful ideas and information available to those who attend. One of the important features in Purse service for trust departments is the constant flow of useful ideas and information to those who employ Purse to work on new business development.

The Purse background includes more than 25 years of personal contacts with trust departments everywhere in the United States. It includes research that uncovers vital trust market facts in varied communities. Ideas and information arising out of this experience are an important part of the service Purse clients always have at their command.

Just as you receive tangible benefit from an ABA Convention in the form of ideas and information, so can you have this benefit throughout the year by using Purse service. For definite details, write the Chattanooga office.

THE PURSE COMPANY

CHATTANOOGA, TENNESSEE

HEADQUARTERS FOR TRUST ADVERTISING



IN NEW YORK 305 East 46th Street
IN BOSTON 38 Newbury Street
IN CHICAGO 25 East Jackson Boulevard
IN LOS ANGELES 725 South Orange Drive

Serving the Business that Builds Baltimore

SINCE 1894



MARYLAND TRUST COMPANY BALTIMORE

Member of the Federal Reserve
System and of the Federal Deposit
Insurance Corporation

F.A.A. Officers

WILLIAM H. NEAL, vice-president of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina, was elected president of the Financial Advertisers Association at the Syracuse convention in September. Mr. Neal succeeds Thomas J. Kiphart, public relations manager of the Fifth Third Union Trust Company, Cincinnati.

Other officers elected were: First vice-president, George O. Everett, First Citizens Bank and Trust Company, Utica, New York; second vice-president, Stephen H. Fifield, Barnett National Bank, Jacksonville, Florida; third vice-president, Henry C. Ochs, Winters National Bank and Trust Company, Dayton, Ohio.

Fred W. Mathison, National Security Bank, Chicago, was reelected treasurer and Preston E. Reed, Chicago, was renamed executive vice-president.

Cotton Loans

JESSE JONES, chairman of the Reconstruction Finance Corporation, has announced that banks and other lending agencies may make loans to producers of the 1937 cotton crop at 4 per cent per annum interest and sell the notes to the Commodity Credit Corporation at any time prior to July 31, 1938, at par and accrued interest at the rate of 2½ per cent per annum. Such loans must, however, be tendered prior to July 1, 1938, and must be made on forms provided by the corporation and in accordance with its requirements.

The new president of the Financial Advertisers Association is William H. Neal (left), vice-president of the Wachovia Bank and Trust Company, Winston-Salem, N. C. Arthur A. Fiske (right), Prudential Insurance Co. of America, heads the Insurance Advertising Conference



"Commodity Credit Corporation," said the announcement, "will purchase such loans only from banks or lending agencies which have entered into an agreement to pay the corporation 1½ per cent per annum on the principal amount collected on said notes while held by the banks or lending agencies."

"Banks and lending agencies desirous of handling cotton loans should communicate with the loan agency of the Reconstruction Finance Corporation serving their district or Commodity Credit Corporation at Washington for information and forms."

Insurance Advertisers

THE Insurance Advertising Conference, in annual convention at Briarcliff, New York, September 13-14, re-elected Arthur A. Fiske, of the Prudential Insurance Company of America, to the presidency. Ray C. Dreher, of the Boston Insurance Company, succeeded himself as vice-president.

A new secretary-treasurer was named when Arthur H. Reddall, of the Equitable Life Assurance Society, incumbent for several years, withdrew as a candidate. He was succeeded by Robert E. Brown, Jr., of the Aetna Casualty and Surety Company.

The executive committee continued in office, the members being David C. Gibson, of Maryland Casualty; C. J. Fitzpatrick, of United States Fidelity and Guaranty Company; W. Leslie Lewis, of Agricultural Insurance Company, and Harold E. Taylor, of the American Insurance Company.



NATIONAL UNION
FIRE INSURANCE
COMPANY

PITTSBURGH, PA.

THIRTY SIX YEARS
OF
HONORABLE DEALING

BANKING

John, the Young Messenger

By I. I. SPERLING

WITH all of the changes that have taken place in the last few years, is it still possible for the young bank messenger to look forward with wistful eyes and reasonable hope to the possibility of becoming president of the bank? Are loyalty, fidelity and ambition still rewarded or is the bank worker, as in industry, destined only to hope for stability and security and a minimum wage which usually becomes the maximum?

Our bank thinks that the opportunities in banking are still as good if not better than ever for the ambitious young newcomer.

We recently reprinted our manual for messenger boys and gave it a new title—*From Messenger to?*. Incidentally, the manual is part of the bank's public relations and employee relations job and is designed to have some of the valid inspirational flavor that characterized the too often unjustly ridiculed "strive and succeed" books of Horatio Alger, Jr., though in non-fiction style. It is illustrated and includes cartoons as well as more formal sketches.

AMBITION RECOGNIZED

IN THE opening chapters of the small, 30-page pamphlet, appears this statement:

"The Cleveland Trust Company recognizes the ambitions of every newcomer and through its branches and main office departments, provides countless opportunities for advancement. In every department of the bank will be found officers, department heads and others, holding responsible positions who began their work as messengers. Your employment provides you with the same or even better opportunities to acquire the knowledge and experience that will bring promotions into any phase of banking you may elect, if you can show capacity for such promotions.

"This manual is intended to give you some simple but very necessary directions, which if followed, will help you make a success of your job. If you are the young man we think you are, you will first read each chapter with keen interest, then try to make the suggestions part of your daily action.

"The Cleveland Trust Company welcomes you to its employ. The bank has always been proud of its messenger force of which you are now a member.

In becoming part of that force, you are assuming a real responsibility, for, besides having definite office duties to perform, you will be repeatedly called upon to represent the bank in contacts with the outside business world. You have now become a representative of the bank among your friends, neighbors and chance acquaintances and the good or bad impression that you make on them will be reflected in their attitude toward the bank.

"As a messenger, you are working among a picked group of high school graduates who are being trained in the fundamentals of banking. In this select group competition is naturally keen, necessitating a high degree of mental alertness at all times. The business of banking requires an unusual amount of knowledge and stability; promotion often seems slow in coming and patience on your part is necessary, but if you are a boy who appreciates this condition



What Difference does it make TO YOU?

When we mention Atlantic's unusual position in the insurance field, it is fair for you to ask: "What difference does it make to me?"

Our answer is this: that your insurance dollar is not giving you full value unless it buys all the advantages Atlantic has to offer

Atlantic has no monopoly of profit-sharing, prompt service, or any other single feature of insurance at its best. But the combination it has to offer is unique—95-year record, financial strength, non-assessability, profit-sharing, prompt settlements, broker service.

Which one of these advantages are you missing?

Review with your broker your goods-in-transit, fire, yacht, jewelry, fur, fine arts and registered mail insurance needs. Ask him for information about Atlantic insurance.

MARINE • YACHT • INLAND
TRANSPORTATION
FINE ARTS • JEWELRY
FUR • REGISTERED MAIL
FIRE INSURANCE

ATLANTIC
MUTUAL
INSURANCE
COMPANY
Atlantic Building
49 Wall Street
NEW YORK

Baltimore • Boston • Chicago • Cleveland • Newark • Philadelphia

and will prepare yourself in the meantime, advancement is certain.

"If you can do the tasks assigned to you, no matter how trivial they seem, a little better than the other fellow, if you are always dependable, courteous and attentive, always finding something to do, never having to wait to be told — in short, if you can make yourself invaluable because of your efficiency, you are sure of success.

"Remember the one who gets ahead is not pushed, he climbs. The surest way to be considered for a better position is to be noted for the ability with which you fill your present one. You are build-

ing a reputation day by day that will stick by you as long as you live. What you do today becomes part of your record tomorrow and will determine whether you go ahead or stay behind."

The booklet then goes on to emphasize the necessity of being prepared for the job ahead. It urges study and the reading of good books, business and financial publications. "Keep posted on current events, literature, music and art," it says. "All of these increase the education you must have to prepare for the position higher up. Study the opportunities the bank holds for you, continue your education by enrolling in the

American Institute of Banking or in any of the adult colleges or night schools."

The bank tells its messengers that there are at least six important qualities of character they must develop if they wish to succeed.

They are: honesty, courtesy, carefulness, initiative, cooperativeness and personality. Every six months messengers as well as other employees are carefully studied and an analysis of each as to present and potential usefulness is filed with the personnel officer.

From the standpoint of public and customer relations, the messengers are told that since the majority of banks offer almost equal banking facilities under today's regulations, the determining factor in a bank's success is the public's favorable reaction to a high degree of courtesy, efficiency and willingness to serve shown by its employees. The messengers are charged with their share of the responsibility for maintaining the high public acceptance and approval which the bank has reason to believe it enjoys.

To accomplish this, the boys are told to:

"Speak pleasantly to everyone. 'Good Morning' and 'Thank you' tend to make the transactions of the day pass more smoothly and pleasantly for all.

"Pay strict and respectful attention when being spoken to — show interest in and regard for the speaker. If instructions are not clear, ask politely for further explanation.

IN AMERICA'S INDUSTRIAL CENTER

WHEN corporations and individuals move from your city to the Newark territory, give them a letter of introduction to New Jersey's largest bank.



**FIDELITY UNION
TRUST COMPANY**
NEWARK EAST ORANGE
New Jersey

MEMBER...FEDERAL RESERVE SYSTEM...
FEDERAL DEPOSIT INSURANCE CORPORATION

LABOR RELATIONS

Edward F. McGrady resigned recently as Assistant Secretary of Labor to become vice-president in charge of labor relations for the Radio Corporation of America



WIDE WORLD
BANKING

"In giving directions to strangers be definite and thorough. Give visitors every consideration — be patient if they fail to understand.

"Be careful not to give opinions as statements of fact. Remember loose talking is a sign of poor judgment and indicates unfitness for bank work.

"Be ready to help others, customers and employees. Do so willingly and quickly.

"Show that you appreciate the value of the other person's time by asking and answering questions clearly and briefly.

"Deliver all messages promptly and be sure that they reach the right party. If any officer is absent from his desk, locate him unless he is out of the building or in a meeting where he should not be disturbed, at which time deliver the message to his secretary.

"Never burst into a conference, wait until recognized and then deliver the message. When absolutely necessary to interrupt a conversation between others to deliver a message, do so quietly, ask their pardon for the interruption and withdraw as quickly as possible.

"Acknowledge any error you have made. Trying to 'alibi' out of the responsibility shows a characteristic undesirable from any standpoint, that of your customer, your employer or your associate.

"Affairs of the bank must be regarded as strictly confidential and not for public discussion. Under no consideration may you discuss business pertaining

to the bank or its customers with outsiders or with other employees.

"Promptness about everything you do, whether it be reporting for work or carrying out assignments given you, must be a part of your daily conduct."

The messenger manual concludes with this bit of advice:

"Along the way upward in your career, you will find those who have become somewhat discouraged on the prospect of advancement and they will attempt to discourage and minimize the importance of your position. They are the ones who have created the question mark in the title of this booklet through

their lack of purpose, failure to accept responsibility, neglect of study and a general falling down in the fundamental requirements necessary to advancement.

"Follow your instructions, study at every opportunity, conscientiously observe all the rules of business etiquette and at all times let your conduct reflect credit upon the bank. If you do these things the bank is sure to recognize your value by placing you in positions of increasing responsibility and in place of the question mark for you there will be the attainment of a definite goal of achievement."

TAX-COLLECTING

Harold N. Graves, administrative expert of the Treasury Department, has been assigned the duty of revamping the Internal Revenue Bureau machinery



WIDE WORLD

It's Men... **THAT COUNT!**

TO BANKERS interested in a St. Louis correspondent, Mercantile-Commerce offers the benefits of its complete facilities, extensive connections and eighty years of experience in serving the banks of the country.

But behind any concrete facilities are the men who administer the affairs of the institution; men who not only handle the needs of our correspondents, but the personnel on which ultimately every bank must depend.

You will find the men of Mercantile-Commerce capable of and interested in rendering only the highest type of *useful* correspondent service.

MERCANTILE-COMMERCE

Bank and Trust Company

Locust-Eighth-St. Charles

ST. LOUIS



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Our Changing Currency

BANKERS and the Federal monetary and credit authorities expect an increase of around \$300,000,000 in currency circulation between early Fall and the end of the year. Early in September the outstanding circulation,—that is, circulation outside of the Treasury and the Federal Reserve banks,—reached the highest volume ever known in this country—\$6,597,000,000 as compared with \$6,543,000,000 at the end of last December and \$6,545,000,000, the

previous high, at the end of February 1933. The December record this year promises to top all previous marks by perhaps a quarter of a billion dollars.

The past two years have revolutionized the currency of the United States both in nature and use. A complete explanation for the increase of over one-sixth in the volume of money in this period is not easily found. Among the explanations offered is increased activity of business, but for all that, the

money now in circulation is averaging nearly 40 per cent above the boom days of 1929. Hence, to accept increasing business turnover as an explanation for increasing circulation on the present basis is to accept the fact that the people's monetary habits have changed.

Lack of banking facilities in many parts of the country in comparison with the situation in 1929 and earlier is offered as a further explanation. It is generally agreed, also, that service charges on minimum bank balances have stimulated the use of currency by reducing or at least limiting the number of small accounts as compared with former practice. Increases in vault cash also afford some explanation although that has not been material in the past year or more. There is some evidence of the hoarding of American currency abroad although the volume cannot be very large.

The fact seems to be that as a result of various banking and currency troubles during the past few years, including a reduction in the number and the maldistribution of banks in some districts, Americans have acquired the habit of using more money in their ordinary business transactions.

CURRENCY NOW FIDUCIARY

THIS change in the monetary habits of people has been accompanied by a marked change in the composition of the monetary circulation although there is no reason to believe that the two facts are related. All the currency of the United States is now fiduciary. With the exception of silver certificates, which are redeemable in silver dollars, all currency is redeemable in nothing but more currency of the same sort. Including subsidiary coins, silver, as coin and certificates, now constitutes 22.2 per cent of the total money in circulation.

More important, since it constitutes the great bulk of the circulation, are the changes effected in the paper currency. As between August 1, 1936, and August 1, 1937, there was a decrease in outstanding gold certificates of 28 millions, an increase in silver dollars of six millions, an increase in silver certificates of 386 millions, an increase in silver coins of 43 millions, an increase of 19 millions in minor coin, an increase in United States notes of six millions, an increase in Federal Reserve notes of 943 millions, a decrease of 41 millions in Federal Reserve bank notes and a decrease of 392 millions in national bank notes.

• GREATER MIAMI'S OLDEST AND LARGEST •

SECURITY is a comparative term. It means many things to many men. To us it implies but one thing . . . *the first principle of sound banking.*

Organized
1902



Capital
\$1,200,000.

**The First National Bank
of Miami**
Miami, Florida

EDWARD C. ROMFH, *President* EDWARD C. ROMFH, JR., *Vice-Pres. and Cashier*
Member of Federal Reserve System and Federal Deposit Insurance Corporation

R. G. RANKIN & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Examinations
of
Banks and Trust Companies
for
Directors Committees

CHICAGO NEW YORK WASHINGTON

The entire change in the two years was an increase of \$942,000,000. Treasury notes outstanding remained at a nominal million dollars. Gold certificates, Treasury notes, Federal Reserve bank notes and national bank notes are being retired as rapidly as possible. Probably a considerable proportion of such notes still nominally in circulation have been lost or destroyed. The Federal Reserve bank notes and most of the national bank notes are covered by other lawful money deposited in the Federal Treasury.

United States notes, or greenbacks, in circulation vary from time to time according to the amount in the Treasury, since the total amount issued is limited by law and is maintained at or around the legal limit.

OUR THREE VARIETIES

AS a going proposition the country, accordingly, is concerned with Federal Reserve notes, silver certificates and, to some extent, subsidiary currency, these three varieties being the form into which the monetary circulation is being merged as rapidly as practicable. During the two years ending in July the retirement of national bank notes, Federal Reserve bank notes, and gold certificates was more than covered by the increase in outstanding Federal Reserve notes. Presumably future retirements will be covered in the same manner.

As of August 1 there were outstanding, in round numbers, 263 millions of national bank notes, 37 millions of Federal Reserve bank notes, one million of Treasury notes, 286 millions in United States notes, 144 millions in minor coin, 341 millions in subsidiary silver, 38 millions in silver dollars, 87 millions in gold certificates, 4,175 millions in Federal Reserve notes and 1,088 millions in silver certificates. Assuming that the volume of United States notes will remain practically stationary, as it has for years, changes yet to be made in the circulation at the present average total volume will involve an increase in Federal Reserve notes and silver certificates of around 400 millions. Under normal monetary policies this increase would take place in Federal Reserve notes but since the outstanding volume of silver certificates has increased more rapidly during the current year than the volume of Federal Reserve notes the outlook is not so certain.

The chief point to be noted, perhaps, is that the Federal Reserve notes form the elastic portion of the currency while the increasing total of silver certificates becomes a more and more im-

portant factor than its actual volume, large as it is, really warrants. It is a fixed and inelastic factor which, necessarily, reduces the adaptability of circulation to business volume and the demand for currency. The ebb and flow of circulation volume is made possible only by the elastic quality of the Federal Reserve note issues. In theory the latter still depends upon eligible paper, Government securities, and gold certificates but at present it is, in totals, more than covered by gold certificates. As of August 25 only \$18,277,000 in eligible paper and \$20,000,000 in Government securities, the latter pledged by the

Atlanta bank, were in the total of \$4,632,909,000 of collateral held in support of \$4,234,680,000 of Federal Reserve notes in actual circulation. The rest was in gold certificates.

The changed nature of the backing for Federal Reserve notes is striking, especially in view of the fact that the amount of paper held by member banks eligible for rediscount at the Reserve banks is the highest since December 31, 1931, at which time eligible paper constituted 30 per cent of the support for the \$3,045,000,000 of Federal Reserve notes then outstanding.

GEORGE F. ANDERSON



"... old friends ... old shoes ..."

Old friends are like old shoes; they fit us best. But every old friend was a new friend once. That's why our doors are always open. Our new friends rapidly become "old" ones—comfortable to be with, honored, secure in our interest and friendship. When you're in the city, drop in and visit awhile.

LAURANCE ARMOUR
President

AMERICAN NATIONAL BANK AND TRUST COMPANY *of Chicago*

LA SALLE STREET AT WASHINGTON

Member Federal Deposit Insurance Corporation

The Factor speaks:



In this time of world-wide and unreasoning fear, we are reminded of an episode in the life of the great statesman, Daniel Webster. One dark night, it is said, Mr. Webster was compelled to travel by stage-coach from Baltimore to Washington. He was the only passenger. He climbed up beside the driver, who, Mr. Webster thought, had a villainous look, and when they reached the lonesome stretch of road below Bladensburg, the Senator became very much afraid. Just then the driver turned to him and in a gruff voice asked him his name and destination. "I am Daniel Webster," was the reply, "and I am a Senator on my way to Washington." "I'm so glad!" cried the driver, extending his hand. "You had me scared to death: I thought you were a highwayman!" Modern factoring removes the manufacturer's fear of credit loss and relieves him of working capital worries, leaving him free to carry on and develop his own business without curtailment of control or expansion of capital structure.

"THE FACTOR" on request

James Talcott, Inc.

225 Fourth Ave. New York City

1854



1937

Commercial CREDIT COMPANY

Capital & Surplus Over \$64,000,000

FOUNDED in 1912, with \$300,000 capital, Commercial Credit Company is today one of the largest institutions of its kind. It operates through more than 4,000 employees in more than 185 offices in the United States and Canada, and is owned by more than 20,000 stockholders.

BANK RELATIONS DEPT.
100 E. 42nd St., New York

Short Term Notes
Limited amounts
upon request—
at current dis-
count rates.

CALIFORNIA FRUITS

Selected New Crop

SENT ON APPROVAL
10-lb. Family Ass't.
Delicious SUN-RIPE Fruits
Packed in 2 Redwood Boxes

2 1/2 lbs. LARGE WHITE FIGS
2 1/2 lbs. CALIFORNIA DATES
2 1/2 lbs. MAMMOTH PRUNES
2 1/2 lbs. WHITE RAISINS

\$3.00

Express Prepaid
Send no money now. Pay me after you taste them.
If they are not the most delicious dried fruits ever eaten return them at my expense. Use coupon below.

Canoga Farms, R.F.D. 92, Reseda, Calif.

Gentlemen, kindly send me your special family size assortment of SUN-RIPE fruits all charges prepaid. If after sampling the fruits I am not entirely satisfied I will return the rest to you at your expense, or I will send you the \$3.00 by return mail.

Name.....
Address.....
City..... State.....

Bank or other reference.....
If you wish to send check with order I will include free a sample of my delicious DATE-NUTS.

The Courage To Say "No"

POINTING out why conservative bankers are rarely popular, Joseph M. Dodge, president of The Detroit Bank, writes in his institution's publication, *The Teller*, that one of banking's troublesome difficulties is the fact that "in the very essence of one of its most valuable public services—the making of loans—often lies the seeds of its own unpopularity."

"It has generally been true," says Mr. Dodge, "that the worst criticisms of bankers or their banks were from two sources: those who were refused something they should not have had, and those who were required to live up to the terms of their promises to pay. In both cases the bank officers were using their best judgment in protecting the money of the many depositors of their own banks, most of whom do not use the bank for borrowing purposes at all, but only as a safe place of deposit."

"Unfortunately, the banker is not in position to defend himself. He cannot broadcast the real facts about the unsoundness of the requested loan, the bad record of the borrower or the improper manner in which the borrower has handled this or other loan transactions, without disclosing the details of a confidential business relationship. The borrower, on the other hand, is always in position to tell all who will listen to him, in terms most flattering to himself, how he has been abused."

"The great volume of real service performed by banks and bankers in granting sound loans for the aid of responsible people and businesses, that always meet

the terms of their commitments in a proper manner, is too often depreciated by the unwarranted criticism of individuals who ask for the use of depositors' funds and who, for some definite reason, were not granted it or were embarrassed by being required to live up to the terms of an agreement at one time freely and gladly made. It is always these who are apt to do the most talking. They amplify their criticism in terms designed to give themselves every advantage and favorable interpretation, knowing full well that the bank officer cannot go to the same trouble to tell what was wrong with the borrower or his affairs."

"It is generally a safe interpretation, that where you hear a lot of criticism of a bank or a banker, particularly involving a loan transaction, the borrower was seeking an unwarranted or unsound use of the depositors' funds. And, in many cases not apparently identified with a loan transaction, vicious criticism will take the form of either personalities or general derogatory comment about the institution, when the fact of the matter is that in the background there is some such situation as is described above. Perhaps even the criticizer does not care to bring it out in the open."

"Accepting the deposits of customers and agreeing to repay them on demand is the greatest general service of banking. It is the obligation of the bank to be able to do this, and is, of course, the main business of banking. Commonly expected by all depositors, it rarely qualifies for appreciation. About the only time the real value of this service is apparent to everyone is during a time of financial crisis when money in the bank that can be obtained on demand is a vital necessity to every depositor. Fortunately these tests do not come very often. They do not come often enough to keep the importance of this element of a bank's duty to the community uppermost in the minds of the people. When these times do come, however, individual criticisms that have been accumulating over a period of years, resulting from conservative and sound lending policies, are quickly absorbed in the general thankfulness of the large body of depositors who have been protected."

"A sound bank is based on sound loans, and the only popularity important to a good banker is that of his well-protected depositors."

THE TEXAS CORPORATION



140TH Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of two per cent (2%) or 50¢ per share, on the par value of the shares of The Texas Corporation has been declared this day, payable on October 1, 1937, to stockholders of record as shown by the books of the corporation at the close of business on September 10, 1937. The stock transfer books will remain open.

C. E. WOODBRIDGE

July 23, 1937

Treasurer



PROTECT O SEALS

Use in place of wax to safeguard valuable mail. Save postage, time; easy to apply. Approved by Post Office. Write for samples, prices.

ST. LOUIS STICKER CO.
1905 Pine St. St. Louis, Mo.

This Month's Authors

GEORGE E. ANDERSON (The Common Trust Fund, p. 5) contributes regularly on events and trends in Washington.

* * *

C. DELANO AMES (Using Bank Services to Build Good Will, p. 19) is manager of public relations and advertising at the Maryland Trust Company, Baltimore.

* * *

ALBERT JOURNEAY (Developing Trust Business, p. 21), vice-president of The Purse Company, Chicago, specializes in trust promotion and advertising.

* * *

JOHN J. McCANN, JR. (Promoting Savings Institutions, p. 22) has the position of advertising director at the National Savings Bank, Albany, New York.

* * *

NORMAN CRUMP (British Branch Bank Management, p. 24) is banking editor of *The Economist*, London, a leading publication in its field.

* * *

EDWARD N. HAY (Good Hiring Avoids Firing, p. 25) is personnel officer of The Pennsylvania Company for Insurances on Lives and Granting Annuities.

* * *

G. OGDEN TRENCHARD (Business Loans—A Lively Corpse, p. 26), vice-president and a founder of Economics Statistics, Inc., has recently joined the teaching staff of the New York Stock Exchange Institute.

* * *

MARC A. RIEFFEL (How to Sell Escrow Service, p. 28), a native of France and a graduate of the Harvard Engineering School, is in the corporate trust department of the City Bank Farmers Trust Company, New York City.

* * *

THOMAS C. BOUSHALL (Uncontrolled Instalment Buying, p. 30), president of the Morris Plan Bank, Richmond, Virginia, writes frequently for *BANKING*.

* * *

EDWARD H. COLLINS (Sources of Investment Advice, p. 32), associate financial editor of the New York *Herald-Tribune*, concludes a presentation begun in the September issue.

HERBERT FLINT (In a Trust Department, p. 66) is a public relations counsel for banks. His headquarters are in New York City.

* * *

I. I. SPERLING (John, the Young Messenger, p. 73), assistant vice-president of The Cleveland Trust Company, is familiar with public relations problems and has written numerous times for *BANKING*.

N. S. B. GRAS (New England Means Business, p. 103) is professor of business history at the Graduate School of Business Administration, Harvard.

* * *

TERENCE O'DONNELL (How Insurance Grew Up with New England Banking, p. 118) compiled *History of Life Insurance in Its Formative Years*, published by the American Conservation Company, Chicago.

3
4

of all Fourth District items deposited at the National City Bank of Cleveland are presented for payment the next morning. Sending them *direct*—day and night—makes this possible.

THE NATIONAL CITY BANK OF CLEVELAND

RESOURCES IN EXCESS OF \$150,000,000

CLEVELAND'S OLDEST BANK—FOUNDED 1845

Member Federal Deposit Insurance Corporation

BANKING'S Contents, October 1937

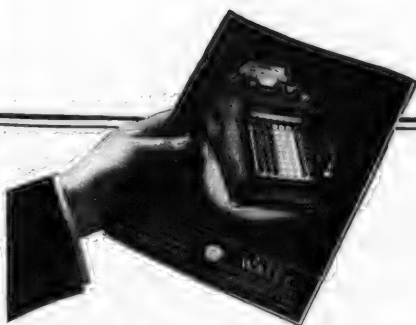
The Condition of Business.....	1	Special Expense Checks.....	44	The Courage to Say "No".....	78
37 Billions—Count Them (New Books)...	3	Bank Statement Analysis.....	47	This Month's Authors.....	79
The Common Trust Fund.....	5	Avenues of Research.....	48	This Is the Third Boston Convention	
Washington Briefly.....	12	When a Mortgagor Defaults.....	50	(Pictures).....	83
MORE THAN TALK ABOUT PUBLIC RELATIONS		Necessity of Good Operating Control	51	For the Boston Bankers.....	88
I. Using Bank Services to Build		Homespun Advertising.....	52	Association Officers 1936-37 (Pictures)...	90
Good Will.....	19	Loans to Small Business Men.....	57	There Was a Famous Victory (Pictures)...	92
II. Developing Trust Business.....	21	Better Building Standards.....	58	This Is New England.....	94
III. Promoting Savings Institutions	22	Home Mortgage Interest Rates.....	60	The Growth of New England Banking	
British Branch Management.....	24	The Banks and Real Estate.....	61	(Charts and Maps).....	98
Good Hiring Avoids Firing.....	25	Lobby Relations.....	62	Building the West.....	100
Business Loans—A Lively Corpse.....	26	Standard Account Analysis.....	64	New England Means Business.....	103
How to Sell Escrow Service.....	28	In a Trust Department.....	66	How Insurance Grew up with New Eng-	
Uncontrolled Instalment Buying.....	30	Credit for Joseph.....	68	land Banking.....	118
Sources of Investment Advice.....	32	Supplemental Social Security.....	69	Management Has Progressed Since the	
Calendar and Conventions.....	34	F.A.A. Officers.....	72	Boston Convention of 1886.....	126
METHODS AND OPERATIONS		Cotton Loans.....	72	A Story of Long Service (Pictures).....	134
Operating Procedure for Measured		Insurance Advertisers.....	72	Walking Pictures.....	136
Service.....	40	John, the Young Messenger.....	73	Touring Pictures.....	139
Methods for Detailed Analysis.....	40	Our Changing Currency.....	76	An Illustrious Neighborhood (Pictures)...	143

BANKING'S Advertisers, October 1937

Allen Wales Adding Machine Corp.....	81	Fidelity Union Trust Co.....	74	National Cash Register Co.....	46
Allis-Chalmers Manufacturing Co.....	11	Financial Program Foundations.....	59	National City Bank of Cleveland.....	79
American Brass Co.....	52	Fireman's Fund Group.....	66	National City Bank of New York.....	9
American Credit Indemnity Co.....	48	First Boston Corporation.....	106	National Rockland Bank of Boston.....	111
American National Bank and Trust Co.....	77	First National Bank of Boston		National Shawmut Bank of Boston.....	105
American Telephone & Telegraph Co.....	14	Facing page 83		National Surety Corp.....	37
Anthracite Industries, Inc.....	40, 41	First National Bank of Chicago.....	49	National Union Fire Insurance Co.....	72
Atlantic Mutual Insurance Co.....	73	First National Bank of Memphis.....	6	New Britain, Connecticut, Banks of.....	128
Bank of America N. T. & S. A.....	63	First National Bank of Miami.....	76	New England Mutual Life Insurance Com-	
Bank of Montreal.....	13	First Wisconsin National Bank.....	70	pany of Boston.....	123
Bankette Company, Inc.....	133	Fulton National Bank.....	64	New England Power Association.....	127
Barre Granite Association, Inc.....	130	General Electric Co.....	Cover III	New England Trust Co.....	109
L. L. Brown Paper Co.....	122	General Motors Acceptance Corp.....	14	New London, Connecticut, Banks of.....	117
Burroughs Adding Machine Co.....	53	Goodspeed's Book Shop, Inc.....	130	Philadelphia National Bank.....	65
Business Week.....	58	Greenfield, Massachusetts, Banks of.....	122	Poor's Publishing Co.....	8
Cambridge Clearing House Association.....	114	Halsey, Stuart & Co., Inc.....	12	Portland, Maine, Banks of.....	131
Canadian Bank of Commerce. Facing page	149	W. C. Hamilton & Sons.....	44	Procter & Gamble.....	38
Canadian Pacific Express Co.....	12	Hartford, Connecticut, Banks of.....	120	Providence, Rhode Island, Banks of.....	113
Canoga Farms.....	78	Hartford Accident and Indemnity Co.....	119	Purse Company.....	71
Cape Cod Clearing House Association.....	129	Hartford Fire Insurance Co.....	119	Rag Content Paper Manufacturers As-	
Carrier Corporation.....	18	Holyoke, Massachusetts, Banks of.....	129	sociation.....	43
Chase National Bank.....	Facing page 49	Home Insurance Co.....	45	R. G. Rankin & Co.....	76
City National Bank & Trust Co.....	68	Hornblower & Weeks.....	110	Recordak Corp.....	35
City of Boston Hotel Association.....	116	Improved Risk Mutuals.....	47	Remington Rand, Inc.....	15
Commercial Credit Company.....	67, 78	International Business Machines Corp.....	17	R. J. Reynolds Tobacco Co.....	Cover IV
Commercial Union Group.....	56	Investors Syndicate.....	2	Riggs National Bank.....	64
Concord (N. H.) Clearing House Asso-		Kidder, Peabody & Co.....	108	Royal Bank of Canada.....	63
ciation.....	147	Lamson Company, Inc.....	16	Rumford Press.....	147
Connecticut General Life Insurance Co.		Lawrence Warehouse Co.....	60	Rutland, Vermont, Banks of.....	133
Cover II		Live Stock National Bank.....	61	St. Louis Sticker Co.....	78
Continental Illinois National Bank &		London & Lancashire Insurance Co., Ltd.	121	Second National Bank of Boston.....	114
Trust Co.....	50	Lumbermens Mutual Casualty Co.....	51	Springfield, Massachusetts, Banks of.....	115
Crane & Co.....	121	Manufacturers Trust Co.....	54	Standard Accident Insurance Co.....	57
Danbury, Connecticut, Bank of.....	110	Marine Trust Co. of Buffalo.....	42	State of Rhode Island.....	127
Day Trust Company.....	117	Maryland Casualty Co.....	7	State of Vermont.....	133
De Luxe Check Printers, Inc.....	5	Maryland Trust Co.....	72	Strathmore Paper Co.....	148
Dictaphone Sales Corp.....	62	Massachusetts Bonding and Insurance Co.	124	James Talcott, Inc.....	78
Douglas-Guardian Warehouse Corp.		Massachusetts Distributors, Inc.....	128	Texas Corp.....	78
Facing page 48		Massachusetts Mutual Life Insurance Co.	123	Travelers Insurance Co.....	82
Ediphone, Thomas A. Edison, Inc.....	10	George S. May Co.....	39	United States Gypsum Co.....	55
Employers Mutuals.....	5	Mercantile-Commerce Bank & Trust Co.	75	Vermont Marble Co.....	132
Esleek Manufacturing Co.....	126	Merchants National Bank of Boston.....	107	Webster and Atlas National Bank of	
Estabrook & Co.....	108	Millers National Insurance Co.....	6	Boston.....	112
Faries Manufacturing Co.....	6	Moody's Investors Service.....	4	Worcester, Massachusetts, Banks of.....	125
Federal Intermediate Credit Banks.....	5	National Bank of Detroit.....	68	Worthington Pump & Machinery Corp.....	69



Superlatives are passing out of style in advertising. But the years and use have convinced us that we make the finest adding machines in existence...and so we say just that. We welcome an opportunity to prove it...and, of course, without obligation on your part.



Are you one of the bankers and business men who responded to this simple announcement on the back cover of "Banking" ...with a request to demonstrate a suitable Allen Wales in your office?

**ALLEN
WALES**
ADDING MACHINE
CORPORATION
515 MADISON AVE., N. Y. CITY

SALES AND SERVICE THROUGHOUT THE UNITED STATES AND IN FORTY FOREIGN COUNTRIES



"DROP YOUR BUCKET WHERE YOU ARE!"

THERE is a curious legend concerning the discovery of Brazil by the Spanish explorer, Vicente Pinzon.

The dawn of the 16th century found his little fleet of four caravels off the coast of South America—becalmed in the tropical doldrums. Throats parched, lungs scorched, the men had long since drained their buckets dry. Now, tormented by thirst, they could only sink to the decks and pray for deliverance.

Perhaps it was merely a delirious fancy that made one of the sailors arise and declare he had heard a voice from afar, saying: "Drop your bucket where you are!"

Nevertheless, he lowered his bucket

into the sea, withdrew it, and before the astonished gaze of his comrades, drank his fill. They too dipped their buckets, and were overjoyed to find the contents fresh and cool.

Unknowingly, they had sailed upon the broad mouth of the Amazon, and their buckets contained water flowing from the inland mountains of a new continent.

"Drop your bucket where you are!"

That advice—taken figuratively—has saved many a man becalmed on financial seas. Surrounded by uncertainty, despairing of a way out, he has found what he wanted right within his reach. He has found that he need no longer merely wait and

hope—that there is an instantly available means of solving his difficulties.

You need look no further for the security you seek. Life insurance, wisely applied, is the method whereby you may banish financial worries, guarantee your future independence, protect your family now and forever.

There is an experienced Travelers representative in your community who will gladly assist you in shaping a life insurance estate suited to your individual requirements.

Moral: Insure in The Travelers. The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Fire Insurance Company, Hartford, Connecticut.

ABOUT · NEW · E
NGLAND · AND ·
THE · CONVENT
ION · IN · BOST
ON · OCTOBER ·
11 - 14 · . . . 1937



Color photograph by Alton H. Blackington

THE CURTAIN HAS RISEN ON AMERICA'S GREATEST PAGEANT

Come to New England this Fall

HILLSIDES ablaze in flaming red and yellow . . . crystal clear days with a tang in the air . . . breath-taking sunsets in blue and gold . . . plan *now* to share the glory of fall in New England.

Take the authority of Harvard's famed Arnold Arboretum that New England is one of the few regions in the world where nature paints her countryside brilliantly in the autumn.

Plan a motor trip along our highways. They lead you through the very heart of the mountain foliage country. Or if you can only spare a day or two, look down on this gorgeous coloring as you sweep over it on your magic carpet, a New England airway.

New England innkeepers have known for three centuries how to cater to your comfort. Surpassingly good food and comfortable beds await you all along your route. Write now for information on fall vacations to The New England Council, Statler Building, Boston. Its service is free.

The **FIRST**
NATIONAL BANK *of*
BOSTON
★ 1784 ★

CLEVELAND

The President

will

A Quiet and

the

New the H

W

A Study,

Off for a

Secretary

the Cabinet

The White

A President

During the

country's

all President

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

the

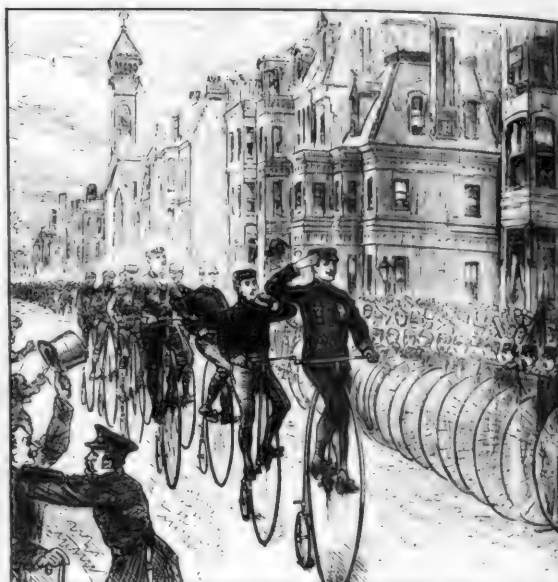
the

the

the



Strikes were front page news then, too. But the Statue of Liberty drew more attention on this particular day

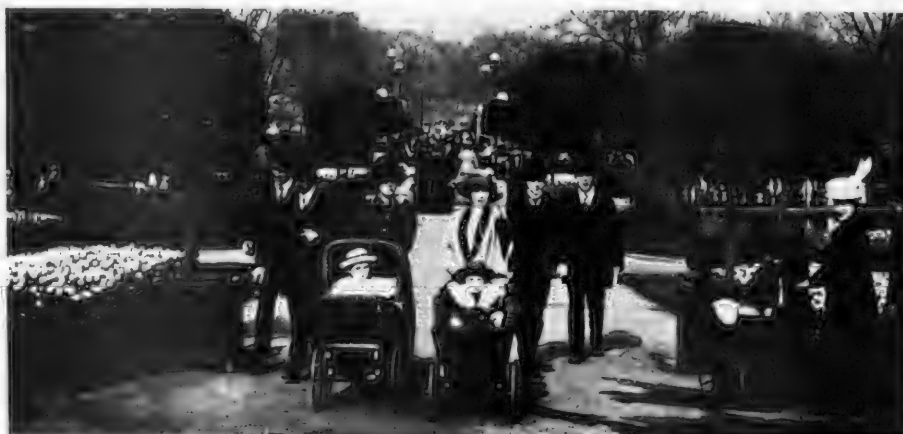


Riders of sky-scraping bicycles held a "review" on Commonwealth Avenue, Boston, in that year

1913



The Public Gardens on a Sunday morning in early Spring



BROWN BROS.

The ever-busy corner of Summer and Washington Streets



BROWN BROS.
BANKING



Arthur Reynolds presided at the Boston Convention of the American Bankers Association because of the death in office of President Charles H. Huttig. Mr. Reynolds was elected president.

WILSON, SIGNING TARIFF, ASKS FOR 'BANKING REFORM'

Business, He Says, Will Not Be Fully Emancipated Until the Power to Create Monopoly Is Removed as Well as the Conditions Which Make the Monopoly Possible.

**WORK ONLY HALF DONE,
HE URGES COMPLETION.**

**Underwood-Simmons Measure
Signed at 9.09 o'Clock, After
Business Transactions for the
Day Were Over—Distinguished**



A busy legislative year in Washington resulted in the passage of several important laws, not the least of which was the Federal Reserve Act, signed by President Wilson on December 23.

BOSTON EVENING TRANSCRIPT, TUESDAY, OCTOBER 7, 1913

American Bankers Association

POSTAL SAVINGS BANKS

Members of Section to Drop Their Opposition

President Makes an Important Address

New York Comptroller Discusses Credits

Centennial Celebration of Savings
Banks

* That opposition to the partial saving bank on the part of savings bank men will be raised was indicated in the annual report of the president of the Savings Bank

usual interest and profit, not only to the section, but to the American Bankers Association.

Mr. J. McWilliam, secretary of the Savings Bank Section, presented his annual report, telling of the economy and thrifty campaign conducted from his office in New York. He hoped that matter of a committee to arrange for a celebration of the one hundredth anniversary of the establishment of savings banks would be taken up at the meeting.

George F. Edwards, president of the Dollar Savings Bank of New York city, reported for the membership committee. His report showed a total membership of 2232 banks, a net gain in membership of 818 in the year.

Fixed and Fluid Credits

Their Relation is Discussed by the Deputy Comptroller of New York City—Savings Banks Must Not Be Indifferent to Pending Legislation

"The Relations Between Fixed and Float Stocks" was discussed by Edmund

"The Relations Between Fixed and
Fluid Credit" was discussed by Edmund

LET TRUST COMPANY ALONE

Samuel W. McCall Believes in State Regulation

Says the Government Is Overworked, Anyway

Finda Many of the Laws Are Too Drastic

Urges Banks to Provide for Small Loans

Into the maze of routine reports and technical discussion at the Trust Company Section of American Bankers' Association at Paul Revere Hall this fore-

BANKERS' BALL TONIGHT

Symphony Hall Has Beautiful
Decorations

Engraved Dance-Order, with Plan of Building

Supper to Be in Horticultural

Committee Will Be Augmented by Lady Aids

In the bulky envelope which every delegate and guest at the bankers' convention receives on registering there is a smaller enclosure containing dance orders for the Bankers' Ball which takes place this evening in Symphony Hall. It is courteously suggested that these be kept for use and recipients are asked to read the information on the pages within the

Three thousand are expected to enjoy

THE "BIG GUNS" PLEASED

**What the Currency Commissioners Think
of the Present Convention, as Shown by
Their Confidential Chat This Morning.**

[illegible]

In 1937 Boston looks like this—



To Plymouth &
South Shore

1

2

3



An aerial photograph of Boston, Massachusetts, showing the city's layout, including the harbor, downtown buildings, and surrounding areas. Two arrows point from text labels to specific locations: one points to Harvard University in the upper left, and another points towards Lexington and Concord in the upper right. A legend in the bottom right corner identifies three numbered locations: 1. Statler Hotel, 2. Boston Common, and 3. Financial District.

Here is Harvard

To Lexington
& Concord

- 1 □ Statler Hotel
- 2 □ Boston Common
- 3 □ Financial District

THE BANKERS AT SARATOGA

THE CONVENTION OPENED AND ORGANIZED YESTERDAY.

THE LIST OF DELEGATES—ELECTION OF OFFICERS—SPEECH OF CHAIRMAN HALL, OF BOSTON—THE ANNOYANCES OF THE BANKING BUSINESS—SPECIE PAYMENTS—RESOLUTIONS AND ADDRESSES—LOCAL TAXATION OF BANKS—THE USURY LAW—THE CONVENTION DECLINES TO HEAR EX-GOV. BIGLER, OF THE CENTENNIAL EXPOSITION.

From Our Own Correspondent.

SARATOGA SPRINGS, N. Y., }
Tuesday, July 20, 1873.

The Bankers' Convention began to-day at this place in the Town Hall. The preliminaries for it were arranged last night at the meeting of the committee at the Grand Union Hotel, and precisely at the hour designated for calling the representatives to order they were present in large numbers, wearing the badges distributed to them by Mr. Leach yesterday at the First National Bank, and Mr. Richards, of the banking institution adjacent. The following is a complete list of those who had registered their names with the Reception Committee up to 2 P. M. to-day:

Alabama.—Josiah Morris, banker, Montgomery; James A. Farley, Montgomery; R. H. Isbell, banker, Talladega; William C. Armstrong, City National Bank, Selma; W. White, Selma Savings Bank, Selma; E. F. B. Jones, National Bank, Birmingham; J. B. McMillan, Savings Bank, Mobile.

Arkansas.—Logan H. Roots, Merchants' National Bank, Little Rock; Logan H. Root, National Branch, Western Arkansas, Fort Smith.

California.—R. H. McDonald, Pacific Bank, San Francisco; Alfred P. Rittell, San Francisco.

Connecticut.—C. H. Street, Fairfield County National Bank, Norwalk; William L. Gilbert, Harbut National Bank, West Winsted; Charles W. Gale, Thames National Bank, Norwich; C. A. Chapman, First National Bank, Suffield; A. B. Mygatt, National Bank Examiner of Connecticut, New Milford; J. C. Bradlee, Merchants' National Bank, New-Haven; L. S. Hotchkiss, New-Haven County National Bank, New-Haven; H. B. Drew, Connecticut National Bank, Bridgeport; Z. A. Storrs, Hartford.

Delaware.—J. W. H. Watson, Newport National Bank, Newport.

District of Columbia.—C. G. Prentiss, German-American Savings Bank, Washington.

Florida.—T. W. C. Moore, First National Bank of Florida, Jacksonville.

Georgia.—S. H. Hawkins, the Bank of America, America.

Illinois.—E. H. Palmer, First National Bank, Danville; M. V. Denny, First National Bank, Greenville; W. A. Harbison, First National Bank, Sterling; W. M. Dustin, Lincoln; T. D. Brewster, First National Bank, Peru; George H. Gibson, Farmers' and Mechanics' Bank, Mattoon; C. H. Hailes & Sons, Greenville; P. L. Mitchell, First National Bank, Rock Island; T. S. Robinson, Rock Island National Bank, Rock Island; G. A. Ives, Union National Bank, Chicago; J. H. McVicker, National Bank of Commerce, Chicago; L. J. Sage, First National Bank, Chicago; J. A. Beach, Banker Hill Bank, Buena Vista; John J. Taylor, First National Bank, Fairbury; P. S. Mosher, Sandwich Bank, Sandwich; W. E. Hayward, Banker, Pana; J. A. Hayward, Hayward & Schuyler, Banker, W. K. Carlin, Cross, Carlin & Co., Jerseyville; L. W. Guiteau, Second National Bank, Freeport; W. H. Lamb, First National Bank, Tuscola; S. Liscen, German-American Bank, Quincy; George Schneider, National Bank of Illinois, Chicago; S. Myers, Savings Bank, Chicago; W. H. Ridgley, Ridgley National Bank, Springfield.

Indiana.—F. A. W. Davis, Indiana Banking Company, Indianapolis; Charles Becker, Evansville; T. S. Veeder, First National Bank, Attica; W. C. Winsteadley, National Bank, Bedford; Samuel Bayard, Evansville National Bank, Evansville; John E. Corwin, Madison County Bank, Anderson; P. C. Decker, German National Bank, Evansville; J. E. Durson, Muncie National Bank, Muncie.

Iowa.—W. W. McKnight, First National Bank, Winterset; S. A. Kuapp, Farmers' Loan and Trust Company, Vinton; C. W. Tracker, First National Bank, Marshalltown; E. W. Brownell, Keokuk National Bank, Keokuk; John Nollen, National Bank, Pella; J. W. Thomas, First National Bank, Lansing; Thomas Arthur, First National Bank, Newton; O. B. Dutton.

Nevada.—James L. Boore, City National Bank, Cedar Rapids; C. H. Farwell, First National Bank, Waterloo.

Kansas.—P. M. Davis, Farmers' Savings Bank, La Cygne; G. A. Beovill, Merchants' National Bank, Fort

Nations of New York, Saratoga, Bank, C. Ovid; of Bank, Pitts. Fi Savings Bank, National Edward Ann; Ar Amsterdom; Bank, al Dar Maunfa B. Post H. Hol Nam R. Knatus hamton Douglas Champa H. C. B. Theodo H. N. W. Wead. Fiat N. Nations Comma County York; New-Yo Bank, Minor Lake St E. S. C. Head David Brown, C. H. I. Goldma York; A. First N. Wenton First N. dan. Th Neher & of New thew B. Lee George George Vail, Co mercial Nationa kill Na J. H. Le tional B madge I Buffalo: Glen's F Bank, I tely, L tional B Bank, C J. Mon Post; B S. Gillet West, N ney A. J W. M. Gulton, T. J. Syraeus Syracuse Seneca County County Nations City J Nations Bank; Brooklyn Nations Nations Okla-ton; H. tabula, of Circ River 2 Mercha precht; A. H. M man, No First Nn Valley F Circlevi J. M. C.

For the Boston Bankers

Committees for the 1937 Convention

AMERICAN BANKERS ASSOCIATION

Executive Committee

THOMAS P. BEAL, *President*, Second National Bank
ROBERT D. BREWER, *President*, Merchants National Bank
JAMES DEAN, *Chairman*, Executive Committee, Boston Safe Deposit & Trust Company
ALLAN FORBES, *President*, State Street Trust Company
HENRY J. NICHOLS, *Vice-president*, National Shawmut Bank
CHARLES E. SPENCER, JR., *Vice-president*, First National Bank, *Chairman*
KARL D. SCATES, Room 801, 1 Federal Street, Boston, *Secretary and Treasurer*
JAMES E. POTTS, *Auditor*, First National Bank, *Auditor*

Hotel and Registration Committee

W. F. AUGUSTINE, *Vice-president*, National Shawmut Bank, *Chairman*
W. B. COX, *Vice-president*, Merchants National Bank
R. C. DEXTER, *Vice-president and Cashier*, Second National Bank
R. M. EASTMAN, *Vice-president*, State Street Trust Company
W. D. IRELAND, *Vice-president*, National Rockland Bank
E. W. OWEN, *Assistant Vice-president*, First National Bank

Transportation Committee

R. M. DECORMIS, *Vice-president*, Second National Bank, *Chairman*
H. H. BRIGGS, *Assistant Cashier*, Second National Bank
J. W. CRAIG, First National Bank
J. A. ERICKSON, *Vice-president*, National Shawmut Bank
W. J. FORTUNE, *Assistant Vice-president*, National Shawmut Bank
T. E. KELLAR, *Assistant Vice-president*, State Street Trust Company
J. W. MARNO, *Vice-president*, State Street Trust Company

Committee on Purchases

L. BROWN, *Purchasing Agent*, National Shawmut Bank
W. J. CROUGHWELL, *Purchasing Agent*, First National Bank

Reception and Entertainment Committee

F. L. CONVERSE, *Vice-president*, Merchants National Bank, *Chairman*
ROBERT BALDWIN, *Vice-president*, Second National Bank
W. E. CHAMBERLAIN, *Vice-president*, State Street Trust Company
R. A. ILG, *Vice-president*, National Shawmut Bank
L. M. LITTLE, *Vice-president*, New England Trust Company
H. G. REYNOLDS, *Vice-president*, Webster and Atlas National Bank
E. R. ROONEY, *Vice-president*, First National Bank
DANA SYLVESTER, *Executive Manager*, Massachusetts Savings Bank Association

Publicity Committee

C. F. WEED, *Vice-president*, First National Bank, *Chairman*
R. H. BOOTH, JR., National Shawmut Bank

General Committee

Chairman

ALLAN FORBES, *President*,
State Street Trust Company

LYMAN H. ALLEN, *President*,
Boston Safe Deposit & Trust
Company

THERON A. APOLLONIO, *President*,
Suffolk Savings Bank for Seamen
and Others

THOMAS P. BEAL, *President*,
Second National Bank of Boston

CHARLES BREWER, *President*,
Warren Institution for Savings

ROBERT D. BREWER, *President*,
Merchants National Bank

WALTER S. BUCKLIN, *President*,
National Shawmut Bank of Boston

FRANK E. BUXTON, *President*,
Massachusetts Savings Bank

WILSON D. CLARK, JR., *Vice-president*,
Day Trust Company

CHANNING H. COX, *President*,
Old Colony Trust Company

RAYMOND B. COX, *President*,
Webster and Atlas National Bank

WALLACE E. CROWLEY, *President*,
Boston Penny Savings Bank

JAMES M. CURLEY, *President*,
Hibernia Savings Bank

EDWARD M. EAMES, *President*,
Blackstone Savings Bank

HARRY C. FABYAN, *President*,
Brighton Five Cents Savings Bank

J. W. FAIRCHILD, *Assistant Treasurer*,
Charlestown Five Cents Savings
Bank

R. G. FESSENDEN, *President*,
Boston Five Cents Savings Bank

GEORGE P. GARDNER, *President*,
Provident Institution for Savings

ALBERT A. GINZBERG, *President*,
Grove Hall Savings Bank

DAVID H. HOWIE, *Vice-president*,
Fiduciary Trust Company

FREDERICK G. KATZMANN, *President*,
Hyde Park Savings Bank

FRANK D. LITTLEFIELD, *President*,
Eliot Savings Bank

G. LONGARINI, *President*,
Columbus Savings Bank

GEORGE H. MONTGOMERY, *Manager*,
Bank of Nova Scotia

THOMAS W. MURRAY, *President*,
Union Savings Bank

FRANK G. NEAL, *Treasurer*,
South Boston Savings Bank

ROGER PIERCE, *President*,
New England Trust Company

ANDREW J. PORTER, *President*,
Columbia Trust Company

A. C. RATSHESKY, *President*,
United States Trust Company

MARIO G. E. RENNA, *President*,
Banca Commerciale Italiana Trust
Company

ROBERT B. RUGG, *President*,
National Rockland Bank

CHARLES G. SMITH, *President*,
Institution for Savings in Roxbury

RUTHERFORD E. SMITH, *President*,
Dorchester Savings Bank

JOSEPH H. SOLIDAY, *President*,
Franklin Savings Bank

CARL M. SPENCER, *President*,
Home Savings Bank

HARRY J. STABILE, *President*,
Stabile Bank & Trust Company

PHILIP STOCKTON, *President*,
The First National Bank of Boston

ALLAN H. STURGES, *President*,
Pilgrim Trust Company

CORNELIUS VANDER PYL, *President*,
Lincoln Savings Bank

Golf Committee

F. A. CARROLL, *Vice-President*, National Shawmut Bank, *Chairman*; C. J. SWENSON, *Vice-President*, Merchants National Bank; LOUIS CURTIS, *Partner*, Brown Brothers, Harriman & Company; ARTHUR L. LOUGEE, *Vice-President*, Merchants National Bank of Salem; A. ORAM FULTON, *President*, County Bank & Trust Company; WILLIAM H. RICE, *Assistant Vice-President*, Newton Trust Company; CHARLES DEVENS, State Street Trust Company; ERASTUS B. BADGER, *President*, Massachusetts Golf Association; E. S. STIMFSON, *Secretary*, National Shawmut Bank.

October 1937

Conventions and Presidents Elected

1875—Saratoga Springs, New York *Hon. Charles B. Hall*
1876—Philadelphia, Pennsylvania *Hon. Charles B. Hall*
1877—New York City *Hon. Charles B. Hall*
1878—Saratoga Springs, New York *Alex Mitchell*
1879—Saratoga Springs, New York *Alex Mitchell*

1880—Saratoga Springs, New York *Alex Mitchell*
1881—Niagara Falls, New York *George S. Coe*
1882—Saratoga Springs, New York *George S. Coe*
1883—Louisville, Kentucky *Lyman J. Gage*
1884—Saratoga Springs, New York *Lyman J. Gage*

1885—Chicago, Illinois *Lyman J. Gage*
1886—Boston, Massachusetts *Logan C. Murray*
1887—Pittsburgh, Pennsylvania *Logan C. Murray*
1888—Cincinnati, Ohio *Charles Parsons*
1889—Kansas City, Missouri *Charles Parsons*

1890—Saratoga Springs, New York *Morton McMichael*
1891—New Orleans, Louisiana *Morton McMichael*
1892—San Francisco, California *William H. Rbawn*
1893—Chicago, Illinois *M. M. White*
1894—Baltimore, Maryland *John J. P. Odell*

1895—Atlanta, Georgia *Eugene H. Pullen*
1896—St. Louis, Missouri *Robert J. Lowry*
1897—Detroit, Michigan *Joseph C. Hendrix*
1898—Denver, Colorado *George H. Russell*
1899—Cleveland, Ohio *Walker Hill*

1900—Richmond, Virginia *Alvah Trowbridge*
1901—Milwaukee, Wisconsin *Myron T. Herrick*
1902—New Orleans, Louisiana *Caldwell Hardy*
1903—San Francisco, California *Caldwell Hardy*
1904—New York City *E. F. Swinney*

1905—Washington, D. C. *John L. Hamilton*
1906—St. Louis, Missouri *G. S. Whitson*
1907—Atlantic City, New Jersey *J. D. Powers*
1908—Denver, Colorado *George M. Reynolds*
1909—Chicago, Illinois *Lewis E. Pierson*

1910—Los Angeles, California *F. O. Watts*
1911—New Orleans, Louisiana *William Livingstone*
1912—Detroit, Michigan *Charles H. Huttig*
1913—Boston, Massachusetts *Arthur Reynolds*
1914—Richmond, Virginia *William A. Law*

1915—Seattle, Washington *James K. Lynch*
1916—Kansas City, Missouri *P. W. Goebel*
1917—Atlantic City, New Jersey *Charles A. Hinsch*
1918—Chicago, Illinois *Robert F. Maddox*
1919—St. Louis, Missouri *Richard S. Hawes*

1920—Washington, D. C. *John S. Drum*
1921—Los Angeles, California *Thomas B. McAdams*
1922—New York City *John H. Puelicher*
1923—Atlantic City, New Jersey *Walter W. Head*
1924—Chicago, Illinois *William E. Knox*

1925—Atlantic City, New Jersey *Oscar Wells*
1926—Los Angeles, California *Melvin A. Traylor*
1927—Houston, Texas *Thomas R. Preston*
1928—Philadelphia, Pennsylvania *Craig B. Hazlewood*
1929—San Francisco, California *John G. Lonsdale*

1930—Cleveland, Ohio *Rome C. Stephenson*
1931—Atlantic City, New Jersey *Harry J. Haas*
1932—Los Angeles, California *Francis H. Sisson*
1933—Chicago, Illinois *Francis Marion Law*
1934—Washington, D. C. *Rudolf S. Heck*

1935—New Orleans, Louisiana *Robert V. Fleming*
1936—San Francisco, California *Tom K. Smith*



Association Officers 1936-37

Left, Tom K. Smith, President of the American Bankers Association and president, Boatmen's National Bank, St. Louis

William F. Augustine, President, National Bank Division, and vice-president, National Shawmut Bank, Boston



Noble R. Jones, President, Savings Division, and savings executive of the First National Bank in St. Louis



H. M. Chamberlain, President of the State Bank Division and vice-president, Walker Bank & Trust Company, Salt Lake City





Orval W. Adams, First Vice-president of the Association and executive vice-president, Utah State National Bank, Salt Lake City



Philip A. Benson, Second Vice-president of the Association and president of the Dime Savings Bank of Brooklyn, Brooklyn, N. Y.



Arthur B. Taylor, Treasurer of the Association and president, Lorain County Savings & Trust Company, Elyria, Ohio

Blaine B. Coles, President of the Trust Division and vice-president of the First National Bank of Portland, Oregon



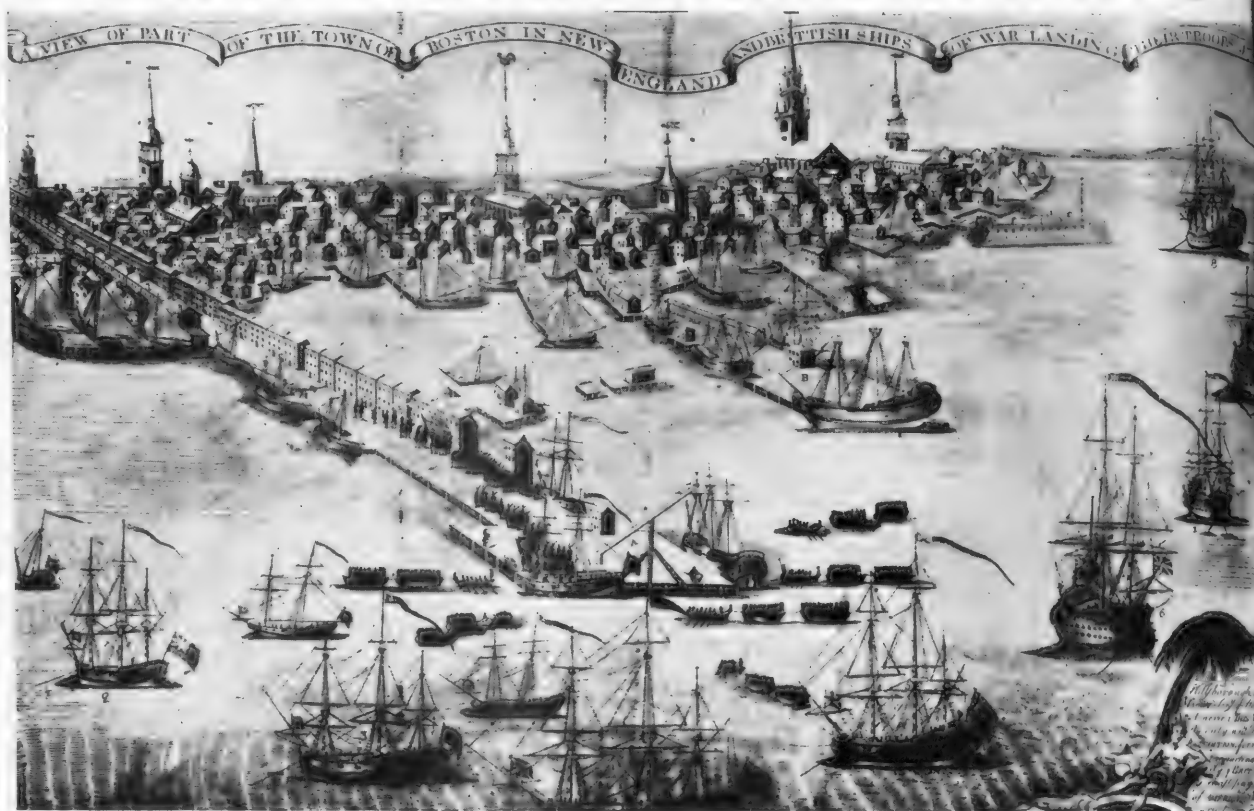
Theodore P. Cramer, Jr., of the Oregon Bankers Association, President of the State Secretaries Section



Frank R. Curda, President, American Institute of Banking, and assistant vice-president, City National Bank & Trust Co., Chicago



There Was a Famous Victory



"Boston is one of the largest and most flourishing towns in North America. It is situated upon a peninsula, at the bottom of a spacious and noble harbour."—from *ANDREW BURNABY'S Travels*. Engraving by **PAUL REVERE**

"It was here (Concord) where the first shot was fired of the American War, and I believe it is still undetermined whether by the Americans or us."—from the *Journal* of **SIR MARTIN HUNTER**. Engraving, "A View of the Town of Concord," by **AMOS DOOLITTLE**



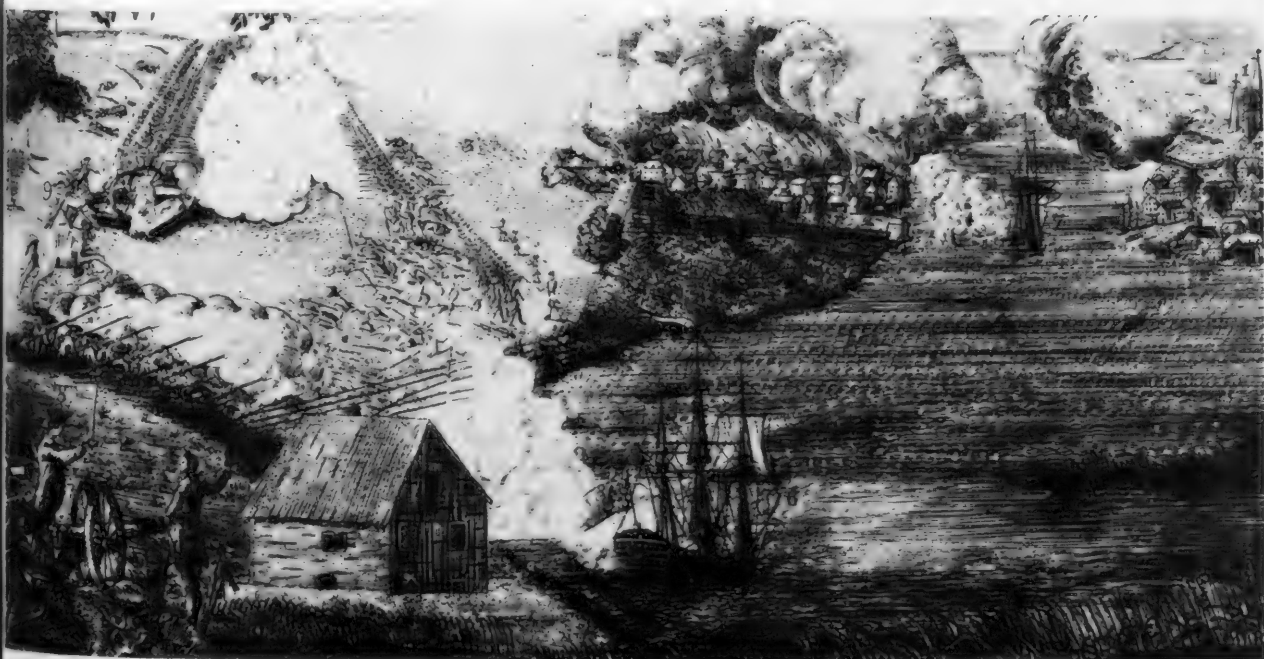


REPRODUCTIONS COURTESY OF THE NEW YORK PUBLIC LIBRARY

Above, "The Battle of Lexington, April 19th, 1775", engraved by AMOS DOOLITTLE. In his diary AMOS FARNSWORTH, a Continental soldier, wrote: "They was forsed to retret tho they was more numerous then we."

Right, the British soldiers tar and feather a citizen of Massachusetts. SAMUEL CURWEN, a Tory, wrote in 1775 of "danger from an incensed soldiery, a people licentious and enthusiastically mad."

Below, "An Exact View of the Late Battle at Charlestown, June 17th, 1775". Two days later, in a letter written by CAPTAIN CHESTER and LT. WEBB, Continental officers, they said: "The Horrors and Devastations of War now begin to appear with us in Earnest."



This Is New England

NEW ENGLAND is predominantly industrial. Some 43 per cent of her wage earners work in the manufacturing and mechanical industries, while about 7 per cent are employed in agriculture, forestry, fishing, and the extraction of minerals. The remainder are absorbed by public, professional, domestic and clerical service, by trade, and by transportation and communication.

THE FOLLOWING PERCENTAGES show New England's industrial output in proportion to national totals: Firearms, 74.1 per cent; cotton smallwares, 67.7; worsted goods, 66.9; boot and shoe findings, 64.9; woolen goods, 59.4; textile machinery, 58.2; silverware and plated ware, 52.1; felt hats, 43.2; cutlery and edged tools, 40.8; clocks and watches, 40.0; boots and shoes (rubber), 39.9; needles and pins, 38.7; dyeing and finishing textiles, 38.0; boots and shoes (other than rubber), 36.4; jewelry, 34.4; hardware, 31.3; non-ferrous metal alloys and other products, 28.8; cotton goods, 28.7; paper, 22.5.

ALTHOUGH SOME of New England's factories are huge establishments, four-fifths of her manufacturing plants employ 50 or fewer wage earners. Less than 3 per cent of the plants employ more than 500 persons, and these are mainly textile mills. The textile industry employs on the average nearly twice as many wage earners per establishment as the leather, rubber, and metal groups, which are next in size.

NEW ENGLAND manufactures a great variety of goods—more than 220 distinct lines, in fact, or nearly two-thirds of the 350 separate classifications for the entire country. The New England Council, calling attention to this, also reminds that although the section is associated popularly with textiles

and shoes, "it is less generally realized, even in New England itself, that textiles now contribute only slightly more than one-fifth of the region's industrial activity, and the shoe and leather industries about one-tenth. The great group of diversified metal-using industries are of equal or greater importance than textiles, as measured by the value added by manufacture, and from a profit-making standpoint outweigh textiles by more than 10 to 1."

MORE THAN HALF of the income in New England's pay envelopes and salary checks comes from her manufacturing plants. Not only do her industries sustain a large percentage of her population, but they also provide markets for raw materials found in other sections. Shipments into New England of food, fuel and products for manufacture have an estimated tonnage six times that of the district's own exports.

NEW ENGLAND has about 7,500 miles of railroad, or 3 per cent of the country's mileage. Her lines serve directly almost no territory outside the section. The outbound freight traffic comprises a large percentage of manufactured products, while the imports consist largely of raw materials. Five carloads of coal, iron, cotton, wool and similar products enter New England for every three cars of factory output that leave it.

THE CENSUS OF BUSINESS, 1935, showed that the total annual payroll of New England industry and business, not including the remuneration of persons classed as proprietors, was approximately \$1,950,000,000.

THE VALUE of New England's manufactures in 1933—in the midst of the depression—was \$1,600,000,000 above the cost of materials, or 11 per cent of the

national total. The per capita distribution of this aggregate was \$193 as compared with \$116 for the country. In the same year New England manufacturers spent \$1,500,000,000 for fuel, power, materials and supplies, or approximately 9 per cent of the national total.

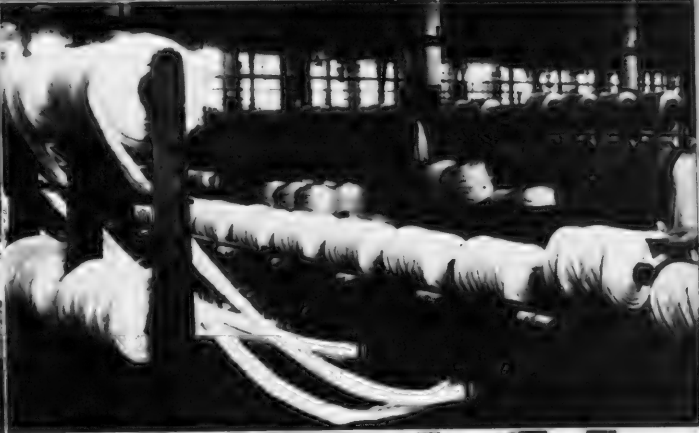
STATISTICS on New England water power: In 1920 only one-third of the total energy produced in the six states was developed by this means, whereas by 1934, 43.6 per cent was being so developed. Fifty-nine per cent of the water power is owned by public utilities and municipal plants, the remainder belonging to private manufacturers.

NEW ENGLAND makes good use of her own power. Information assembled two years ago showed that 95 per cent of all her homes were receiving the service of electricity, a larger proportion than in any other section of the country; the percentage for the United States as a whole was then 70. New England is also a leader in rural electrification, 46.4 per cent of its farms being "wired" as compared with 12 per cent for the nation.

NEW ENGLAND airports of various classifications now number in the neighborhood of 200. More than 1,200 miles of airlines operate in the region, including services between Boston and New York, Boston and Albany, Boston and Burlington, Vermont, and Boston and Bar Harbor, Maine.

THE NEW ENGLAND states spend some \$75,000,000 annually on highway construction, maintenance and repair. Road building and improvement are important activities in a section which has so many attractions for the tourist.

NEW ENGLAND's area is 61,976 square miles. In other words, it is



about one-fourth as large as Texas and half as large as California. Maine occupies half of the section's entire area.

THE YIELD PER ACRE of vegetables and fruits is higher in New England than in any other section of the country.

THERE ARE some 8,000,000 New Englanders, or slightly less than 7 per cent of the country's population. The average density is about 130 persons per square mile, although in the forested areas of the northern part the density is only five per square mile.

RHODE ISLAND is the most densely populated state in the Union—644.3 per square mile in the 1930 census. Massachusetts ranked third in that census with a mark of 528.6.

APPROXIMATELY 77 per cent of the New England population is classified as urban. Four-fifths of all the section's inhabitants live in Rhode Island, Massachusetts and Connecticut.

LESS THAN 40 per cent of the New Englanders are native whites of white parents. This proportion compares with 57 per cent for the country as a whole. The percentage of foreign-born whites in New England doubled between the 1850 and 1930 censuses.

NEW ENGLAND contains 4.5 per cent of the forest lands in the United States. Maine has a larger proportion of land so classified than any other state—78 per cent.

NEW ENGLAND's most important minerals are her commercial rocks—marble, granite, limestone, basalt, slate. Her marble and granite are particularly well known, coming largely from the interior, although some quarrying is done along the coast.

DAIRYING is the most extensive agricultural activity in the section. New England's farmers grow

general crops, mostly for sale in nearby cities.

AROOSTOOK COUNTY, Maine, accounts for one-tenth of Uncle Sam's annual potato crop. And Washington County, in the same state, is to the blueberry what Wall Street is to finance.

IN THE LOWER central part of the Connecticut Valley tobacco culture is an extensive and important industry. Soil and climate are particularly favorable to that crop along the river shores in Connecticut and Massachusetts.

CAPE COD CRANBERRIES are known everywhere. In fact, two out of three berries grown in the country come from this section of Massachusetts.

IS THERE ANYONE who hasn't heard of Vermont maple sugar? More than 40 per cent of the nation's maple products have their origin in the Green Mountain State.

NEW ENGLAND's first industry was the commercialization of what to many people is just a pleasant pastime—fishing. The fisheries of the North Atlantic have always been a source of economic wealth, and on occasion nations have squabbled over them. Indeed, the cod has been to New England what the beaver was to Canada—a symbol of economic empire. From the New England fishing boat evolved a more pretentious shipping, including the Salem clippers and the New Bedford and Nantucket whalers.

AS A MATTER OF FACT, water has figured prominently in New England's development. Apart from her early and intimate association with the Atlantic Ocean, the section has made and is making good use of its water resources. The textile industry has flourished in New England because many of her 19 principal river systems provided abundant and cheap power; and paper manufacturing grew for

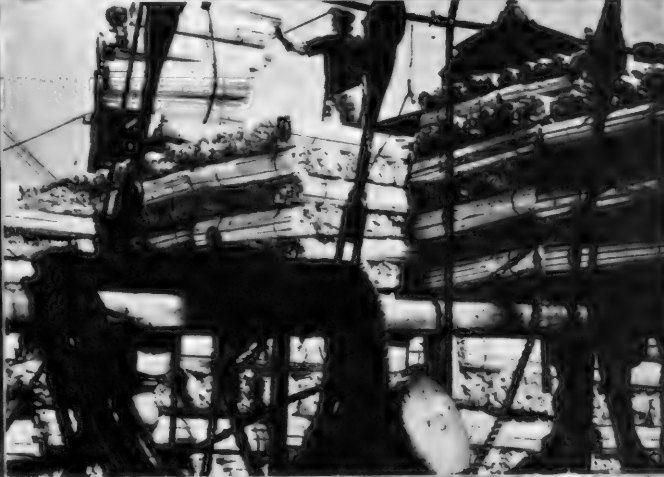
the same reason, since the logs could be moved to the mills on water highways. New England agriculture, although primarily a local industry, has been helped by the fertility of the valleys and the rather even distribution of rainfall. The average monthly precipitation is between 3 and 4 inches, and long periods of excessive moisture or drought are exceptional.

NEW ENGLAND is rich in recreational resources. Some 3,000,000 people, coming round the year, leave over 400,000,000 vacation dollars in the section annually. Statistically, the six states' offering to the vacationist includes: 2,000 miles of coast line; 5,000 lakes; 215 mountain peaks more than 3,000 feet high; recreational property with an assessed valuation of more than \$500,000,000; 1,000 hunting and fishing camps; 600 golf and yacht clubs; 2,000 miles of bridle paths; 3,500 miles of hiking trails; and more than 600 camps for young people. Winter sports have expanded rapidly in the last few years and New England is now a leading center for skiing, skating, snowshoeing and tobogganing.

TO THE MANY ADVANTAGES given her by Nature, New England adds many of her own making: historic places, scenes associated with famous people, a distinctive architecture, well-bred villages.

SOME ONE took the trouble to estimate that one-fourth of all the people in the United States live within a day's motor trip of New England.

NEW ENGLAND has more than 60 universities, colleges and preparatory schools. Reducing the returns from this educational equipment to dollars and cents, it is estimated that the young men and women who come to New England campuses spend nearly \$30,000,000 a year. More than 30 of New England's universities and colleges have facilities for industrial research.



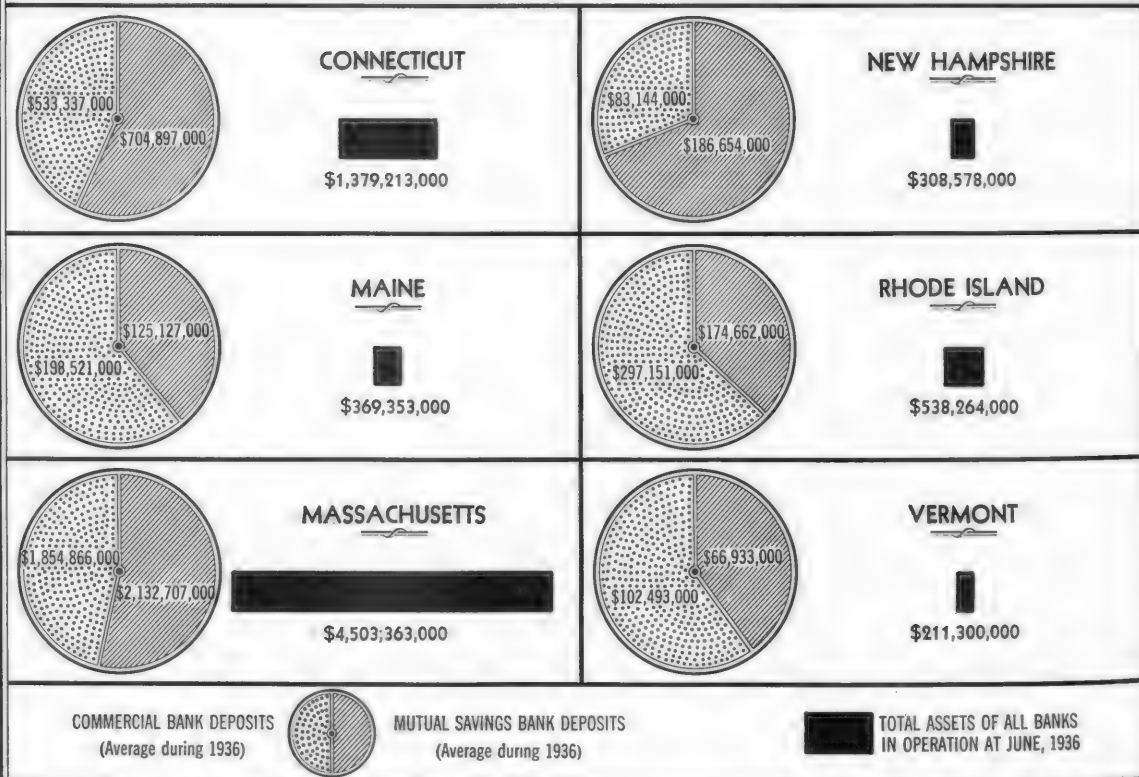
The Growth of New England Banking

THE maps on these two pages show the beginnings of banking in New England and, for that matter, in the United States, and the rapid growth of banking during the first half of the last century. The westward movement, it will be noticed, was accompanied by an equally great expansion in the New England states themselves. These maps are based on data of the Carnegie Institution in Washington and the American Geographical Society.

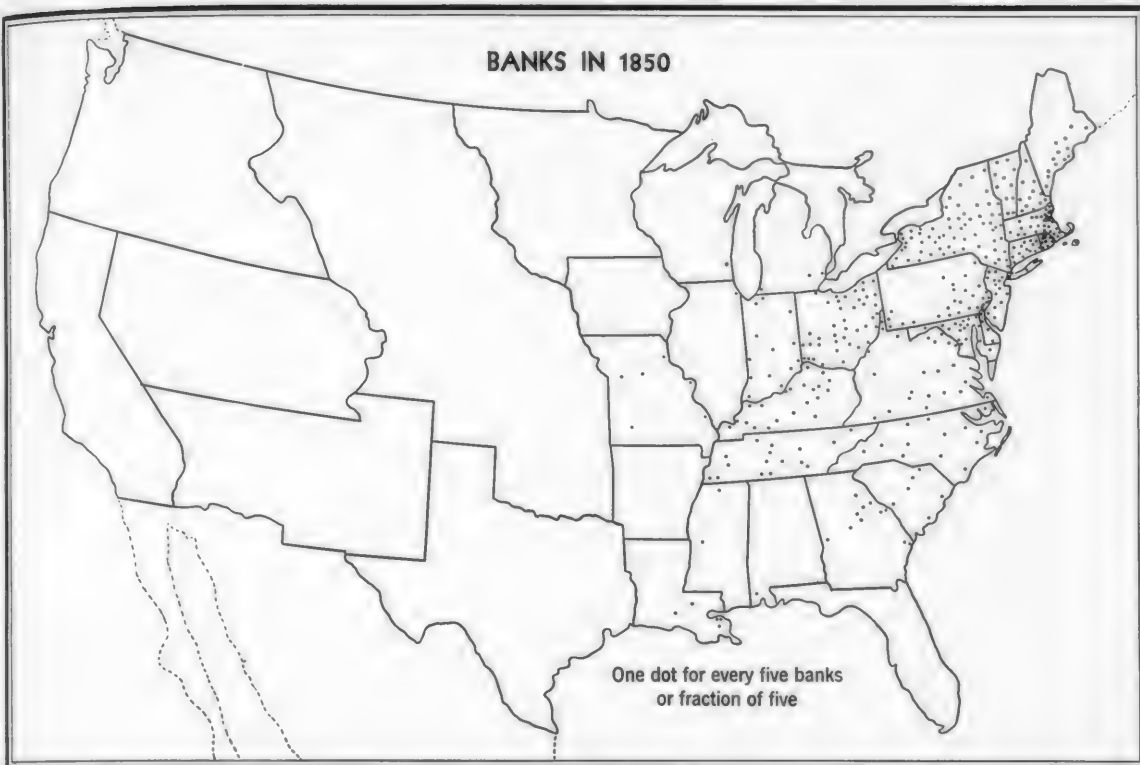
The charts on number of banks and employees, and payrolls, are based on the Federal Census of Business. Deposit figures are from the F.D.I.C., and those on assets from the report of the Comptroller of the Currency.



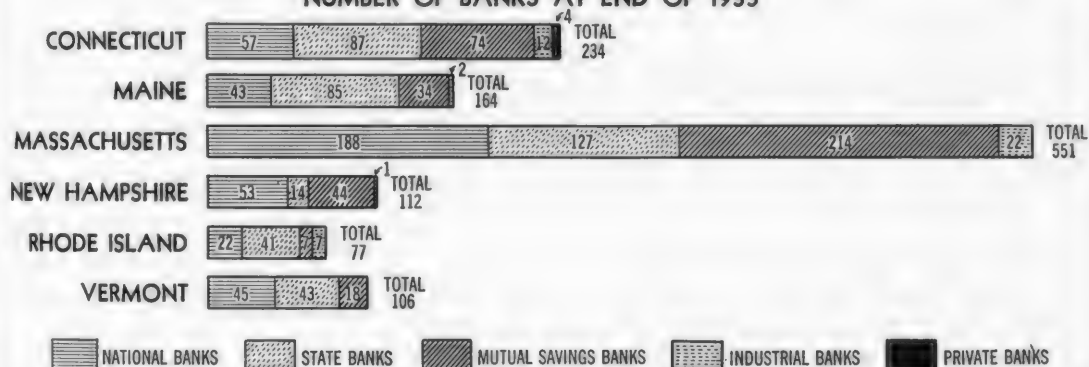
AVERAGE DEPOSITS AND TOTAL ASSETS



BANKS IN 1850



NUMBER OF BANKS AT END OF 1935



EMPLOYEES

(DEC. 1935)

PAYROLLS



* INCLUDES EMPLOYEES AND PAYROLL OF THE FEDERAL RESERVE BANK OF BOSTON

"... Or Landward to the West."

The rocky nook with hill-tops three
Looked eastward from the farms;
And twice each day the flowing sea
Took Boston in its arms;

The men of yore were stout and poor,
And sailed for bread to every shore.

And where they went on trade intent
They did what freemen can;
Their dauntless ways did all men praise,
The merchant was a man.

The world was made for honest trade,
To plant and eat be none afraid.

They laughed to know the world so wide;
The mountains said, "Good-day!
We greet you well, you Saxon men,
Up with your towns, and stay."

The world was made for honest trade,
To plant and eat be none afraid.

"For you," they said, "no barriers be,
For you no sluggard rest;
Each street leads downward to the sea,
Or landward to the West."

RALPH WALDO EMERSON

An old sailing announcement of the clipper ship *Starlight*, for San Francisco. This famous round-the-Horn vessel was built in South Boston. The announcement card is in the possession of the State Street Trust Company, Boston

FOR SAN FRANCISCO!

(GLIDDEN & WILLIAMS')
LINE

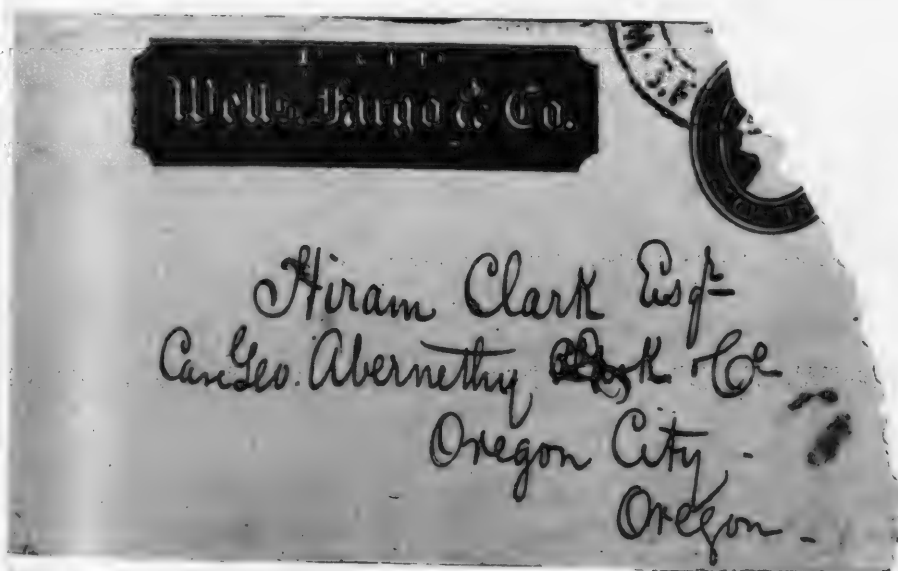
To sail Saturday, July 2... From Lewis Wharf.
THE CELEBRATED EXTREME CLIPPER SHIP

STARLIGHT

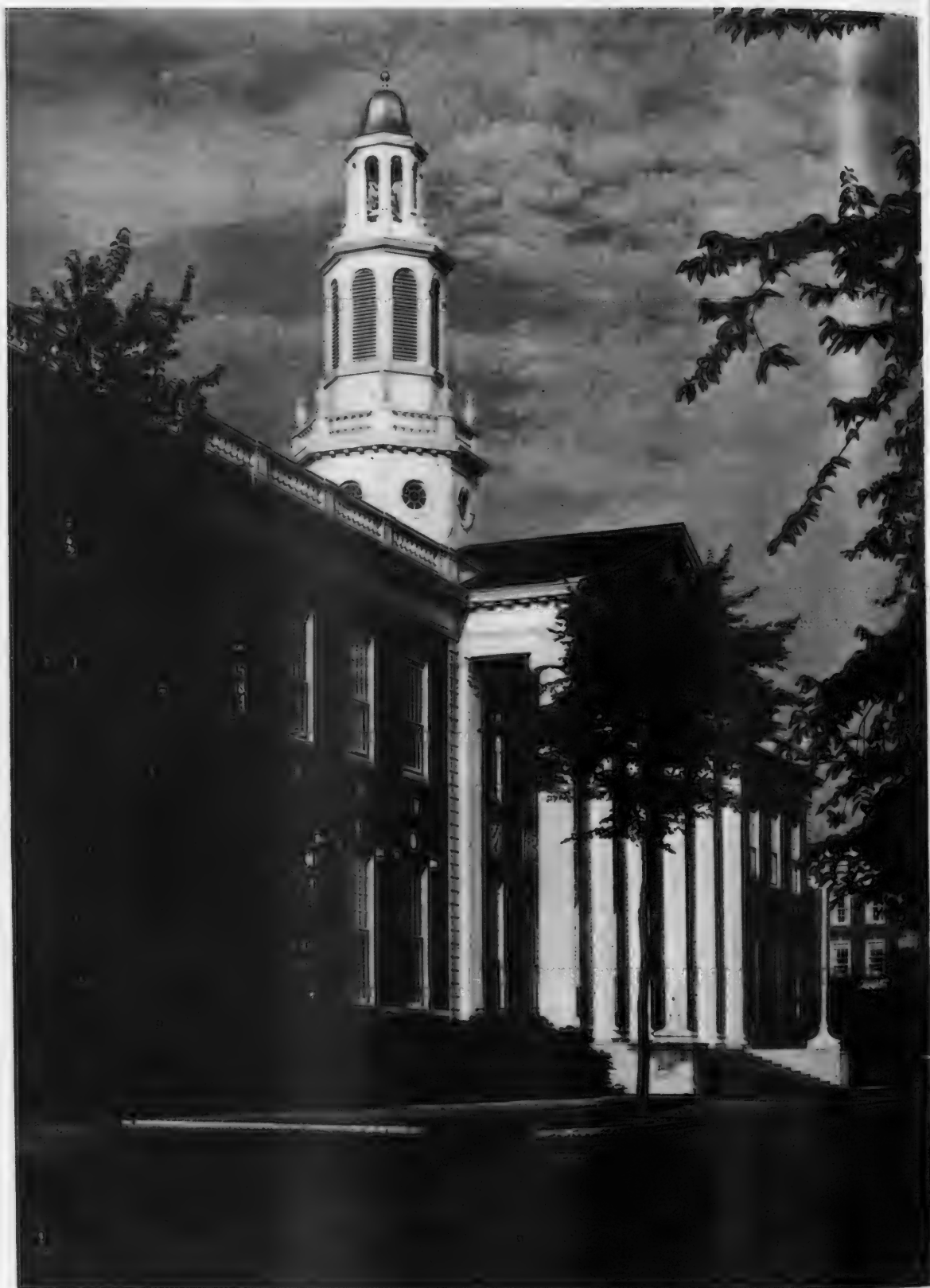
N. P. Gibbs... Commander.

This fine ship is well known to the trade as one of the fastest of the clipper line, and famous for the good delivery of her cargoes. She will be despatched as above, and ship-
pers will oblige by sending her word promptly their engagements.

FOR FURTHER PARTICULARS, APPLY AT
THE CALIFORNIA PACKET OFFICE
No. 114 State Street, Boston.



This envelope travelled a Wells, Fargo & Co. route. While these two names are associated with a colorful period of western history, both Wells and Fargo were New Englanders



The Baker Library at the Harvard Graduate School of Business Administration. In 1924 the School received a gift of \$5,000,000 from the late George F. Baker, Sr., chairman of the First National Bank, New York

NEWSPHOTOS

N
T
Ne
disting
from
tled
reme
ular
the t
In
about
part
effor
clair
mad
diti
the
of
abs
ban
thei

New England Means Business

THE story of New England banking tells the story of American banking.

New England has had many distinctions, as we might expect from a region that was early settled and developed. It will long be remembered for its priority in popular education, Puritanic living, the textile industry, and banking.

In banking New England was about a century ahead of other parts of the country in making an effort to set up a bank. That is claim number one that could be made. Secondly, it has had a tradition of conservatism. Of course, the comparison is with other parts of the country, not with any absolute standard. Thirdly, the banks of the region have served their own communities faithfully,

and only when that has been done have they aided the West and the rest of the nation. In other words, their policy has been federal rather than national. During the War of 1812 this was very obvious. Fourthly, New England has been a leader in the nongovernmental solution of the problem of note redemption. And lastly, it has stood out longest against the paying of interest on deposits, thereby anticipating the present national policy.

Early Merchant-Bankers

BANKING is older than banks, just as teachers are older than schools. In the colonies the sedentary merchants (exporters and importers) carried on their trade in the seaports and did such

By N. S. B. GRAS

banking as was needed. Not only did they issue bills of exchange on London but they bought and sold them. To their customers and friends traveling abroad, they gave letters of credit drawn on their London agents, that is, merchants in London who bought the colonial merchants' wares or sold them on commission and who purchased the goods the colonial merchant needed for his trade in America. If a customer or friend wished to invest surplus capital the colonial merchant might give him a share of a venture in his own trade or might buy for him the obligations of colonial governments or even of the imperial government. One of the ablest of



The harbor at Portland, Maine

BLACK STAR

these early merchant-bankers was Thomas Hancock, of Boston, uncle of the signer of the Declaration of Independence. There are some who think that if John Hancock had been as able as his uncle in the field of business, he would never have entered politics or become a revolutionist.

The main point, however, is that rich colonial merchants got their credit in London—banked in London if you will—and that they helped customers and friends in their locality. Since the agents of these merchants banked with them, we may think of them as performing banking functions without being bankers. We know little about any money that such merchants may have issued singly (except shop notes), but we know that in groups they did so—for instance in Boston in 1733. Moreover, their bills of exchange, endorsed by each hand, actually circulated as money in intercolonial and international trade.

Land Banks

THE banking functions performed by colonial merchants were of little use to the rank and file of colonials. Most people had no direct interest in London or foreign trade. They had no capital seeking investment. What they wanted was money that they could get their hands on. How modern this need is!

First in Boston and then elsewhere in New England, during the period 1680 to 1741, banks were established to print money based on the security of land and produce. Yankees needed money, preferably good money, but at any rate money. All the Spanish, Portuguese, and other coins obtained in the West Indies trade and elsewhere went to England to purchase manufactured wares. In desperation, men got together to turn out paper money. They had the same kind of problem as the West and South faced normally in

the 19th century and in a dramatic accentuated fashion in 1931-33. They had goods and their neighbors had goods. Exchange by barter was too clumsy and difficult. Values were imperilled. Money was vital.

In the land banks there was no banker. These banks had no paid-in capital and no deposits, except the mortgages on land and produce or the produce actually handed over to the directors of the bank. No hard money entered into the schemes, and therefore there was no need for a cashier. Since the banks were designed solely to issue money, the most important policies had to do with redemption. But this redemption was either not provided for at all or was provided to take place at the end of a period of years—20 in the case of the Boston Land Bank of 1740.

Such banks may be called debtors' banks. Their sponsors were farmers, artisans, storekeep-



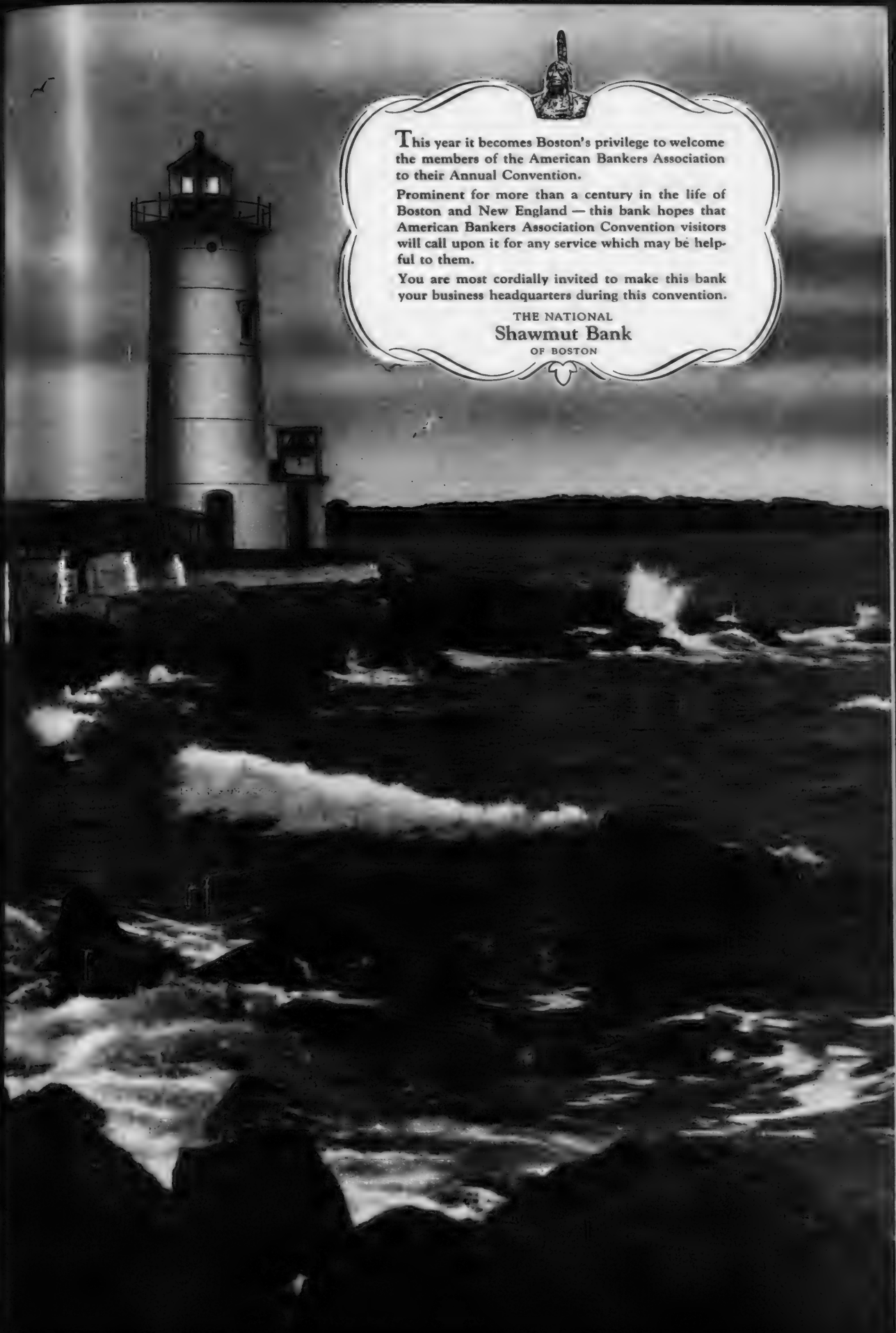
Providence, Rhode Island, with the railroad station in the center and the capitol building on the hill

at-
33.
ch-
by
fi-
on-

no
no
ts,
nd
ly
he
ed
re
er.
ed
st
th
on
all
at
20
nd

ed
rs
p-

G



This year it becomes Boston's privilege to welcome the members of the American Bankers Association to their Annual Convention.

Prominent for more than a century in the life of Boston and New England — this bank hopes that American Bankers Association Convention visitors will call upon it for any service which may be helpful to them.

You are most cordially invited to make this bank your business headquarters during this convention.

THE NATIONAL
Shawmut Bank
OF BOSTON

ers, and lawyers. Some of these had tangible assets and all owed money. The assets commonly had little realizable value, particularly in hard times. It is easy to understand the logic of these men when they argued that their troubles arose from lack of money, while in fact they arose from lack of business. America has been from the first a land of muddling in money matters. This was a frontier manifestation which has had a long hang-over.

The Land Bank of 1740 carried political dynamite. It is significant that the brewer, Samuel Adams, father of the great revolutionist, was a leader in this bank. Many of the proponents were ambitious for political independence. They held that the British Government, which opposed the Bank and finally killed it in 1741, was the source of their troubles. This attitude was not new and it is with us today: If in a period of prosperity and high prices you buy beyond your capacity to repay when hard times come

along, then blame your troubles on those in power. Those in power should bail you out by manipulating the money situation. What's a government for, anyway? Draw red herrings across the trail. Smear the whole situation with class prejudice—small traders vs. the rich merchants of Boston—and you have a powerful case. If you have no political representation, demand it at the first opportunity—no taxation without representation. When you are in power, manipulate the money situation to pull yourself out of a commercial difficulty.

Have You Ever Seen a Silver Bank?

SOME persons were fearful that silver would be seriously introduced into our monetary system during the recent depression. What a change! Until the late 19th century silver had high repute and, except in European foreign trade, was unrivalled even by gold. And so, an early American silver bank

might really be something worth while. We shall see.

While the chief merchants of the colonial seaports were in no great need of money because they had credit and banking facilities in London, still there was a group of lesser, ambitious merchants who sorely felt the necessity of a local bank which would provide them with credit in the form of money. These merchants wanted to carry on trade without reference to London merchants or even the imperial government. Indeed, a local bank seemed to them a promise of freedom from an established system. We all know how in our time, here and there, a group of business men come to feel that they must have a bank of their own to free themselves from some existing money power. Well, in Boston about 1740 there was a strong move to set up a bank—a good respectable bank—that would have nothing to do with London merchants, London goldsmiths, or the Bank of England.

These merchants set up the

Underwriter

Distributor

Dealer in

Investment Securities



The **FIRST BOSTON CORPORATION**

ONE FEDERAL ST., BOSTON *Executive Offices* 100 BROADWAY, NEW YORK

PHILADELPHIA

CHICAGO

SAN FRANCISCO

ATLANTA

BALTIMORE

BUFFALO

CLEVELAND

HARTFORD

LOS ANGELES

MINNEAPOLIS

PITTSBURGH

PROVIDENCE

RUTLAND

SPRINGFIELD

Silver Bank which, in contrast to the existing Land Bank, looked solid and glittering. 'Twas an interesting experiment that deserves to be remembered. Each subscriber gave a bond for the bank notes he received. In reality, he gave 15 bonds, one due each year successively for 15 years. For 13 years the bonds were to be paid in produce; the last two years they were to be paid in silver. Redemption was provided for by an elaborate set of provisions. A 20-shilling note was to be worth an ounce of silver and during the first year the ounce of silver was valued at 28s. 4d. in provincial government money. Redemption of a 20-shilling note was thus to be in 28s. 4d. worth of this depreciated money. Next year the amount was less, and so on until the end of the 15-year period when a 20-shilling note would be redeemed in one ounce of silver.

In such a scheme much depended upon management as usual. The produce coming in each year had to be sold and the proceeds loaned at interest. Silver had to be hoarded against the final redemption. As usual the course of prices was important both for goods as a whole and for silver. General prices should go up and silver down if the bank was to encounter ideal conditions. The imperial government, however, in its wrath against colonial banks, with their half submerged schemes for economic independence of the mother country, snuffed out the bank in short order.

One Cause of the Revolution

BRITAIN killed the colonial banks but not the desire to have them. There is little doubt that Britain's policy of keeping banks out of the colonies was a factor in the engendering of the Revolution. It has been a lesson well learned by the American democracy: any community may have banks if it wants them badly enough and meets a few simple rules.

In order to further the Revolution the Bank of North America was set up in Philadelphia in 1781; and in 1784—only a short

"My wish is that you should use the Merchants Bank"

On March 13, 1841, ten years after organization of this bank, Daniel Webster wrote Solomon Lincoln in connection with his appointment as Marshal:

"My wish is that you should use the Merchants Bank, so far as you have occasion to use any banking institution. It is respectable, & safe."

AS a true son of New England, it was natural that Webster should emphasize reputation and security in his choice of a bank. Through the years, the course of this institution has evidenced its constant adherence to sound basic principles.

Of its present position, although a commercial bank, it is interesting to observe that balances held for the account of other banks are a substantial amount of total deposits. Definitely a "bankers' bank," its facilities and experience enable it to provide many services to out-of-town institutions.

In extending a warm welcome to fellow members of the American Bankers Association attending our convention in Boston, we hope that they will call upon us for any banking service which will help make their visit an enjoyable experience.



The MERCHANTS NATIONAL BANK OF BOSTON

28 STATE STREET, BOSTON

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Founded in Boston

*More Than
86 Years Ago*

April 1, 1851

*Investments and
Financial Service*

ESTABROOK & Co.

15 STATE STREET
Boston
MEMBERS
New York and Boston Stock Exchanges
SPRINGFIELD • HARTFORD • PROVIDENCE

Founded 1851
40 WALL STREET
New York

INVESTMENT SECURITIES

FOREIGN EXCHANGE

Correspondents of
BARING BROTHERS & CO., LTD. LONDON

Kidder, Peabody & Co.

Founded in 1865
BOSTON
PHILADELPHIA
NEW YORK
MEMBERS OF
NEW YORK AND BOSTON STOCK EXCHANGES

time after the Bank of New York had been opened—the Massachusetts Bank was established in Boston. This bank survives to the present day in the First National Bank of Boston.

It was business men, not bankers, who established the Massachusetts Bank. The great merchant, Thomas Russell of Boston, wrote to the equally distinguished merchant in Philadelphia, Thomas Willing, concerning the way in which one went about the creation of a bank. Willing was the president of the Philadelphia institution and could tell how one should proceed. Of all his statements the most interesting are two in number: first, a bank's records are much like a merchant's, only a few extra books being required; and second, banking is really no mystery but you might as well let people continue to think it is.

Just as the bank in Philadelphia had aimed at imitating the Bank of England, so the new bank in Boston aimed at imitating the one in Philadelphia, even to the point of adopting its laws and rules and regulations.

Forging Right Traditions

WITH hammer and tongs the merchants of Boston worked out on the anvil of experience suitable banking practices which they could get from no book and no expert. For a long time discounts were made only once or twice a week, each director voting secretly, one black ball being enough to stop a discount. Politicians seeking loans soon became a problem. Others who were not anxious to repay also sought loans.

The greatest blow for good banking ever struck in New England came in 1785. The Massachusetts Bank found that what most of its subscribers or shareholders wanted was a bank of perpetual, or at least very long-time, loans as in the case of the old land banks. They were willing to subscribe to stock and to pay for it in Spanish and other coins, but they wanted to borrow their money back again on the security of the stock. For this loan they would pay 6 per cent and on their stock they would receive a dividend of from 12 to 20 per cent—according to the earnings of the bank. Of course, such long-time loans wiped out a part of the capital at once and robbed the bank of cash held for the redemption of bank notes. Almost the only funds available for loans, since there were no deposits of importance till after the Civil War, were the bank notes that might be issued, at first without any prescribed limit.

Note that the reform that came in the bank's practice was not imposed from without but ordered from within. The directors decided that permanent loans on the bank's own stock must cease. One of the declared reasons for the establishment of the bank had been the inculcation of habits of punctuality—in this case of repayment of loans made at the bank. Accordingly, all holders of stock on which loans had been made were invited to pay up or turn in their

stock. The result was that the number of \$500 shares was reduced from 511 to 200.

An ancient writer once said: "from one thing learn all." We might almost say that from the long experience of the Massachusetts Bank we could learn all the difficulties that banks have encountered. The first problem of the bank was to find a banker. The nearest was the cashier brought in from Philadelphia, and he had had little experience. Some bankers today would say that this was a fortunate situation—that there were no specialized bankers to obscure the needs of business men, whilst others would say that such a bank (without bankers) would not last long. But the bank did last long and it had no bankers until after the Civil War; however, it had difficulties.

The directors, who were merchants, retailers, retired business men, and lawyers, soon settled down into routine ways. The stock came to be owned by the dead hand of estates and trusts. Only safe loans, and the cream of these, were made. The old-time coast trade and transatlantic commerce were catered to. New developments were not taken advantage of—the economic growth of New England as a whole and the rise of factories and railroads. But the bank was in the hands of men of integrity who carried on business honestly even if not effectively. On one occasion, the loss incurred in a certain loan was made up by the president, who had advised the loan.

Problems came and went with the generations but the bank went on. It soon became apparent that the directors were granting too many loans to themselves. Accordingly, they passed regulations against the practice but gradually weakened and extended the amounts so loaned. The one problem that never seemed to bother them was the length of their tenure. They lived on and served on and on, accepting reelection, without realizing the stagnation of administration that was resulting. How long should a man remain as a director?

A Period of Over-Banking

THOSE OF US who followed banking developments in the 1920's in the Northwest know what over-banking means. Well, just such conditions arose in Boston in the difficult period of a downward secular trend in prices and business from 1815 to 1843. There were too many banks. New ones had been cropping up since 1791. The Massachusetts Bank met the situation by reducing its capital. There was, of course, no surplus in those days—hardly any in this bank till long after the Civil War. The alternative solution of hustling to get the new business was not adopted, and accordingly new banks with more enterprising men in command arose even in the period of bad business.

I have wondered whether business men and banks are not unduly impressed by political happenings. Not being in politics and not liking politicians, they often do not understand political agitation.

October 1937

A Trust in Massachusetts



"All that can be required of a trustee to invest is that he shall conduct himself faithfully, and exercise a sound discretion. He is to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested."

On this opinion of the Supreme Court, given in the case of *Harvard College vs. Amory*, in 1843, much of the present structure of Massachusetts Trust Law is based.

The years have proved that the Massachusetts type of trust developed under the comparative freedom allowed by this decision is sound and successful.

For over 60 years we have acted as Trustee for property of residents both of Massachusetts and other states.

The New England Trust Company

DEVONSHIRE & MILK STREETS
BACK BAY BRANCH : : 99 NEWBURY STREET

Member Federal Reserve System

When politicians hammered at the bank, the directors just lay low to let the storm blow over. But each time, in 1792 and 1811, they seemed to emerge a little less courageous. They would accept laws and restraints, and go on within the framework of the new legislation. The alternative of fighting back and going out for new business not prohibited or circumscribed was not followed. New banks arose to operate under the new laws. What do the years that lie right ahead in 1937 hold in store for us? Will the old banks that have been hammered by agitation and legislation lose their courage and new ones go ahead and get or create new business?

DANBURY CONNECTICUT "Hat Center of the World"

LARGEST manufacturer of men's and women's fur-felt hats, wool and straw hats for men and women, hat making machinery, silk bands and ribbons, braid silk, cardboard and fibre boxes, hatter's furs, silver and metal goods, ball and roller bearings, shorts and underwear, children's apparel, rubber floor covering, glue, surgical instruments.

Leads all Connecticut cities as retail trading center in volume per thousand of population. Combines advantages of industrial community with those of a summer colony. Has a summer population of 10,000 living in their own homes. Lake Candlewood, the largest lake in the state, is located on the outskirts of the city. Situated 69 miles from New York on the New Haven railroad.

Excellent public schools, parks and highways, an abundant supply of filtered water, ultra modern sewage disposal plant, and all conveniences of a modern city set among hills and valleys of unusual beauty. One of the healthiest cities in the United States. Seat of Danbury State Teachers College.

A city of home owners, served by banks with assets of \$30,000,000. Retains homes dating from colonial period, and shrines made sacred by the struggle for national independence. Winter population 29,000.

Pioneering Outside of Boston

ALTHOUGH Boston was the pioneer in banking in New England, the towns in the hinterland were not far behind. Soon there were local community banks established in the ports, such as Providence, Nantucket, Newburyport, Salem, Gloucester, and so on. The inland towns came later.

In many rural parts there was great prejudice against banks of any kind and sometimes when a bank was formed it was of the worst kind. An example of this occurred in Vermont where a state-owned bank was established in 1806, without capital and, of course, without experienced management. Losses were the inevitable result. This institution in Vermont seems to have been the only example of a state-owned and operated bank in New England. In the East there have been at least two—Pennsylvania and South Carolina; in the South at least four—in Alabama, Arkansas, Kentucky, and Mississippi; and in the West at least six—Ohio, Indiana, Illinois, Michigan, Missouri, and North Dakota. Only the last named has survived. On the whole, we may perhaps conclude that politics and bad bank-

ing mix well enough but at the expense of the people.

Counterfeiters had an easy time in imitating the early bank notes because the notes were on paper easily reproduced and printed in a style that presented no great difficulty. True, the banks gradually adopted more complicated designs and introduced color variations, but still a skilled lithographer found no difficulty in turning out fair substitutes. Moreover, there were so many banks in the country that few persons could know them all or could be familiar with their note issues.

There were two means of combating counterfeiting. One was by the publication of information in the various bank note guides or counterfeit detectors beginning not later than 1833 in Philadelphia. Another was the formation of associations for the discovery and prosecution of counterfeiters in New England itself. In the work of such associations, which were formed and supported by the banks themselves, we find a curious and unexpected obstacle. Juries developed a friendliness for the accused. Conviction became difficult. Apparently the common citizen did not like the idea of extra-legal institutions enforcing the law and perhaps feared the

Delegates

to the American Bankers Association Convention in Boston are cordially invited to use the facilities of our Hotel Statler office to transact their brokerage and investment business.

*Give-up orders given
our special attention.*

Private wires to leading financial markets.

HORNBLOWER & WEEKS

60 Congress St. and Hotel Statler
BOSTON

Members New York, Boston, Chicago, Cleveland, Philadelphia and
Detroit Stock Exchanges; New York and Chicago Curb Exchanges

Member, American Bankers Association

employment of skilled lawyers by banks. Now mind you, all that the associations attempted was to enforce, or help enforce, existing laws.

Redemption Rock

REDEMPTION has proved the rock on which so many banks have gone to pieces. Even the most acceptable principles have been difficult to work in times of storm and stress. In the history of American banks, however, the chief trouble has been that the principles have not been good. The early state banks planned to issue notes far beyond their ability to redeem in hard money. The hope was that their notes would fly so far away that they would never find their way home.

In New England there gradually developed a concentration of trade in Boston. The rivers had not helped this and canals did not do much either. The railroads, however, quickly began to spread out a net which was all-embracing. As this process of buying and selling in Boston got under way, a curious repetition of earlier conditions happened. Just as colonial New England used to have an unfavorable balance of trade with Old England and used to send all its money there, so did New England in the early 19th century have an unfavorable balance in Boston. This meant that the hinterland had to send money to Boston to satisfy its numerous wants for goods. The hinterland would not object to this condition so long as its bank notes sent to Boston were accepted and kept. But when the Boston banks refused the country bank notes except at a discount and collected them for periodic return to the issuing bank, then there was expressed many a grievance. To many little banks, it was an imposition to have their own notes returned for redemption.

The other side of the picture is the anger and losses of the Boston banks. They found their customers depositing country bank notes and paying obligations to the banks in such notes. To refuse these notes

LOOK FOR - **THE** *Important* **THINGS**

THE NATIONAL ROCKLAND is not among the largest banks of Boston; nor does its honorable age of eighty-four years entitle it to unusual distinction in old New England.

Admirable as age and size may be, however, they are not decisive in determining the quality of an institution. Ability, efficiency, energy, and the will to serve — these are the important things.

Toward these objectives the course of this bank has ever been directed, with results attested by its present position in the community. The increased use of the modern facilities of the National Rockland Bank by correspondents is a natural corollary of this sound growth.

If your bank's business would benefit through a new or additional contact in Boston, this institution would welcome an opportunity to assist you.

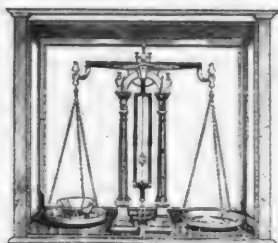
We cordially invite Boston's guests at the American Bankers Association Convention to call upon us freely for any personal service they may require.

The National Rockland Bank of Boston

Established 1853

30 CONGRESS STREET, BOSTON
2343 WASHINGTON STREET, ROXBURY

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Webster and Atlas National Bank

of Boston located at the head of State Street faces the old State House.

The Atlas Bank was chartered March 28, 1833. The Webster Bank was chartered June 16, 1853. They later became national banks, and they combined in 1904.

The first Stockholders' meeting was held in the old Exchange Coffee House where, as was the custom, the leading citizens gathered and debated the important problems of the day. Nearby were the whipping posts and pillories. Stirring scenes preceding the American Revolution occurred around this spot.

In this location still stands the old Webster and Atlas National Bank, pursuing the even tenor of its ways, mindful of the lessons of the past but ever alert for opportunities of proper banking service to its community.

RAYMOND B. COX
President



Member Federal Deposit Insurance Corporation

was difficult but to accept them meant serious loss if the country bank failed, as often occurred, or expense when the notes had to be bundled up and sent back by messenger for redemption.

Correspondent Banking

MORE than one device was hit upon to provide for the return of country bank notes and their periodic redemption. The most successful was adopted by the Suffolk Bank of Boston in 1824. The chief banks in Boston agreed to deposit each a large sum of money in the Suffolk Bank and to maintain this large balance. In return for this privilege, the Suffolk agreed to accept country bank paper from the depositing banks and to forward it for redemption by the issuing banks. This proved to be an excellent system for those banks that had many customers engaging in hinterland business, but not worthwhile for a bank like the old Massachusetts which still looked abroad, along the coast, or to purely Boston business. But the main point is that, without government direction, the banks solved their own problem. In time, the Suffolk Bank handed this business of redemption over to another bank and, when it reached old age, it was absorbed by still another bank—the Second National Bank of Boston, which doubtless still has some of the old customers.

Crises and Clearing Houses

AMERICAN banks have been confronted with business crises since 1792. When the crisis of 1815 came, the Massachusetts Bank was so strong that people embarrassingly flocked to deposit their money in its vaults. In 1837 and 1857 this bank refused to suspend specie payment, but soon saw that this course would be disastrous. Customers of other banks would flock to deposit their bank notes and then demand hard money. Suspension might have been avoided, conceivably, if new accounts had been refused.

In all the great crises, beginning in 1837, the old Massachusetts, the most conservative bank in the most conservative part of America, had to suspend specie payment. In other words, our banks were fair-weather institutions and must be accepted as such. From the crisis of 1857, however, the banks of Boston have been able to meet their greatest difficulty through their clearing-house association, an institution of private origin and growth.

In no industry has the Government done more regulating than in banking. Few would deny that this was made necessary by the less honest and efficient banks. It is not at all clear, however, that banks have needed as much regulation as has been meted out to them.

National Banking

AFTER trying two great national banks with a network of branches, America decided under dramatic circumstances that in spite of their economic efficiency these banks were dangerous politically. The small man with the big vote feared them. We have been a politically minded people and bankers should begin with that idea.

Although a national bank has been hoped for ever since 1836, none has eventuated. The old fears and prejudices of Jackson's group remain. To some it might seem that we found a substitute in the national banking system of 1863. But, as a matter of fact, the contrary was the case. The banking system established during the Civil War was simply the national enthronement of the local system and by the same token the rejection of the big bank. The democracy was speaking with vigor in fighting a war to abolish slavery and also in establishing a national system of local banks, small but adapted to the needs of their communities, at least in fair weather.

The national banking system, which remained but little changed until the Federal Reserve System was created in 1914, was actually a stopgap—an incident of the



Where **INDUSTRY** and **LEISURE** Contribute to **PROSPERITY**

● **RHODE ISLAND'S** reputation as a great little State grows apace. Back of it are solid developments... great oil refineries and distributing plants, tool and machine manufactories, quarries, textile mills, silverware and jewelry concerns, boat yards, specialty machine factories, sea food and recreational industries.

● Many of these activities had origin far back in dim tradition, when Rhode Island saw in its Slater Mill the historic beginning of the textile industry... in its boat yards, the building of whaling ships... in its shops, the development of tools which revolutionized the world's production methods.

● Rhode Island's recreational business is imposing in itself, highlighted with famous social centers at brilliant Newport and Watch Hill. Miles of sun-drenched coastline, and the peaceful, historic countryside, are important factors in promoting stable health and contentment in our skilled workers.

● Rates for transportation and taxes are reasonable. Water and electric power is plentiful. 25 million consumers are within easy shipping dis-

tance. An excellent airport, ample harbors, fine highways, make swift connections for transport. Consumer test markets and co-operative research institutions are close by.

● Reinforcing all, a sound banking system amply covers the State. It includes many institutions equipped by long experience to serve the special financial requirements of this highly organized industrial community.



● These banks are keenly interested in Rhode Island's development. They invite inquiries from industrialists and fellow bankers, and extend to them a cordial invitation to visit and see at first hand the unexcelled manufacturing sites and buildings... the many natural advantages of Rhode Island.

RHODE ISLAND

Blackstone Canal National Bank
Columbus National Bank
High Street Bank & Trust Company
Industrial Trust Company
Lincoln Trust Company

The National Bank of Commerce and Trust Company

The Mechanics National Bank of Providence
The Phenix National Bank of Providence
Providence National Bank
Rhode Island Hospital National Bank
Union Trust Company

The SECOND NATIONAL

Bank of Boston

FOUNDED 1832

111 FRANKLIN STREET

and HOTEL STATLER BUILDING

CAPITAL \$2,000,000.00

SURPLUS \$4,000,000.00

UNDIVIDED PROFITS \$659,108.00

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

THE CITY OF

Cambridge, Massachusetts

Offers a most strategic New England location • Unexcelled
transportation facilities • Skilled and conservative labor
Low power and light rates • Diversified industries.

A CORDIAL WELCOME

*We Offer to You Ready Accommodation
for Your Financial Needs*

CAMBRIDGE CLEARING HOUSE ASSOCIATION

CAMBRIDGE TRUST COMPANY

COUNTY BANK AND TRUST COMPANY

HARVARD TRUST COMPANY

UNIVERSITY TRUST COMPANY

Civil War. Although it soon outgrew the circumstance of its birth, still it arrived upon the scene unwanted and unexpected. The purpose of its creation was to provide a financial institution that would absorb Federal bonds in large amounts. In a sense, we may say that Secretary Chase expected to defeat the South by means of a national system of small banks standing ready to buy bonds. Another great weapon in the war was cheap factory-made shoes from New England, but let that pass.

Uniform Currency

EMERGENCY measure though the new system may have been, it possessed advantages and introduced welcome reforms. One of these was a uniform acceptable currency which America had so long needed. After the law of 1865, which taxed state bank notes out of existence, came into force there was only one kind of bank note. This was the national currency backed by a large percentage of Federal bonds held in reserve. The creation of two central reserve cities was only a recognition of developments under way but it was a step in the direction of our later Federal Reserve System. It greatly furthered the tendency of country banks to keep reserves in the growing metropolitan center where, increasingly, interest was allowed on deposits. Another advantage was uniformity of regulation for the national banks enforced by one set of officials in Washington. Thus, America took a step toward what may become national capitalism; but, for the time being, state banks were left as a concession to our historic past and to our continental diversity and heterogeneity.

It is interesting to note that the old conservative state banks were slow in joining the new system. The Bank of North America, founded in 1781, became number 602, while the Massachusetts Bank, set up in 1784, became number 974. Moreover, the new crop of national banks were looked down upon by the state banks. The First National of New York

was not admitted to the clearing house for many years.

Mergers and Remergers

ORDINARILY, we think of steel companies, railroads, and steamship lines as most active in merging. Actually, banks were almost in the vanguard of the movement. Boston had a great number of small banks in the 1890s which were ill equipped to meet the needs of business units that required larger and larger loans. At the same time, there was actually an excess of management and overhead.

Savings banks in Boston registered a protest against the situation because they found their income from the stock they held in commercial banks dwindling to next to nothing. Through the aid of investment bankers nine Boston banks were merged to form the new National Shawmut bank in 1898. Similarly, in 1903 the old Massachusetts and the First National were merged by another group of investment bankers to form the new First National Bank. It is interesting to note the influence of these different banking groups on one another—savings banks, investment banks, and commercial banks.

Wholesale and Retail

THIS merging of banks has spread both in the East and the West. In the East it has led to enormous institutions piled up sky-high in New York City. In the West it has given rise to widespread systems of branch and chain banking systems. I anticipate still further developments along this line in certain regions when economic times are ripe and when popular animosity to larger corporations has subsided. But this is never to be forgotten, that when smaller banks merge there arises another batch of little banks to cater to the needs of small and special situations. As the big banks become big, they become wholesalers of credit, struggle as they will against the tendency. At the same time small banks, financial

SERVING SPRINGFIELD

Affording the industries and commercial institutions of Greater Springfield every facility of a modern banking service and the individual every convenience and inducement to save for a rainy day, the banks of Springfield have played a large part in the growth and prosperity of the community in which they take justifiable pride.

THIRD NATIONAL BANK & TRUST COMPANY
SPRINGFIELD SAFE DEPOSIT & TRUST COMPANY

SPRINGFIELD NATIONAL BANK

UNION TRUST COMPANY

SPRINGFIELD INSTITUTION FOR SAVINGS

FIVE CENT SAVINGS BANK

HAMPDEN SAVINGS BANK

Springfield • Massachusetts

The Members of the CITY OF BOSTON HOTEL ASSOCIATION

extend greetings

to the

AMERICAN BANKERS ASSOCIATION

and trust that we may
often have the privilege
of welcoming you

Members

ABBOTSFORD	LINCOLNSHIRE
AVERY	MANGER
BEACON CHAMBERS	MINERVA
BELLEVUE	METROPOLITAN
BRADFORD	MYLES STANDISH
BRANDON HALL	MOORLAND
BRAEMORE	NEW OCEAN HOUSE
BRUNSWICK	PARAMOUNT
BUCKMINSTER	PURITAN
CHARLESGATE	PARKER HOUSE
COMMANDER	PRINCETON
COMMONWEALTH	RITZ-CARLTON
CONTINENTAL	RIVERBANK COURT
COPLEY-PLAZA	SHERATON
FENSGATE	SOMERSET
GRALYN	STATLER
HAMPTON COURT	TECHNOLOGY CHAMBERS
HUNTINGTON	TOURAINÉ
KENMORE	VENDOME
LENOX	VICTORIA
	WESTMINSTER



factors, and credit agencies come forth to do the retailing of credit, using the big banks that have gone through the merging process as their wholesale source of capital and credit.

Variety in Bank Merchandise

OUR big banks have looked abroad and established correspondents, offices, and branches. There has been much popular support for this development because it has been believed that American trade and economic influence abroad would be greatly extended thereby. So far, we cannot feel satisfied with the result. One of the biggest New York bankers said about 1913: "Why should we go into the foreign banking field? No one in America knows enough about it." And in the period since then, we may add, too little additional first-hand familiarity has been acquired.

As the big banks spread, so did they multiply and diversify their functions. They have developed safety deposit facilities for the use of smaller banks, estates, corporations, and others. In early days banks had simply allowed customers to deposit their strong boxes at their own risk. They have added security affiliates, trust departments, savings bank departments, investment trust subsidiaries, and a number of superfluous conveniences for customers, including aid in securing travel accommodation, assistance in translocation, and the like.

Unscrambling

THE combination of many functions in a big bank has seemed natural and has been in accordance with the general tendency of business since the Civil War. Moreover, it tends to occur in industries which are old and well developed like the banking industry. But a halt has been called to it.

In the readjustment of the last generation national banks have pretty generally given up note issue. The First National Bank of Boston discontinued its issue in 1921. The investment trust subordinates just faded away. Security affiliates have been taken away by law. The objection of lawyers has led to legislation in some states against free legal advice to customers. The depression has forced many banks either to discontinue extra services or to charge for them. Much more could be done by banks along the same line, but a temporary equilibrium seems to have been reached.

Competing Systems

YES, you may say the two chief competing systems are the state and national banks. This is still true, but the threat of national capitalism may not leave this duality undisturbed. There are

also the Federal Reserve System and the Treasury Department, the latter with ambitions towards a national bank. And also, on the one hand, there is the agglomeration of banks—branch or chain—which expect to grow, while, on the other hand, there are the little banks which hope to hold their own. He would be rash indeed who would prophesy as to the near future. The ideal institutional system is the one that presents alternatives such as between the big and the little bank and between the metropolitan branch or chain system and the system of small community banks.

New England Banking Typical

IN THESE dualities New England banking has been typical of all the regions of America. This is true also of the one-time tendency to overbanking; also, in the merging of small weak banks. In New England, as elsewhere, the strongest banks have developed in the commercial communities, rather than in the purely agricultural or even manufacturing localities. New England, like the other regions, has bowed to New York City in banking leadership, whether for all time to come remains to be seen. And so, we run right into

the general question of growing nationalism or reviving regionalism. New England is still equipped to lead our people in the direction of Federal regionalism but hardly in the direction of centralized nationalism.



RICH in historic interest, magnificently located on the beautiful Thames River, quickly accessible by rail, water or automobile, famous for generations as a summer resort, New London, Connecticut, is the heart of one of New England's most delightful sections.

Here is located one of the world's finest harbors, the nation's foremost submarine and training base, and the United States Coast Guard Academy.

High above the city, overlooking the Thames and Long Island Sound, is the Connecticut College for Women (an endowed college) which, in the brief existence of 22 years, has built up an enrolment of 700 young women from 30 states and 4 foreign countries. Its enviable scholastic standing combine with its beautiful location to make this college a spot worth seeing.

Near by are Old Lyme and Mystic, noted for the architectural beauty of their churches, and the art-exhibits of widely-known artists' colonies. Reminiscent of New London's historic part in the whaling trade, the Whaling Museum is another lure for travellers; while the city's hotels—the Mohican, the Griswold and Crocker House, are known from coast to coast for the fine flavor of their hospitality.

The undersigned banks which serve the people of this area invite you to stop over in New London and to request of them any form of further information regarding this area.

**MARINERS
SAVINGS BANK**

**NATIONAL BANK
OF COMMERCE**

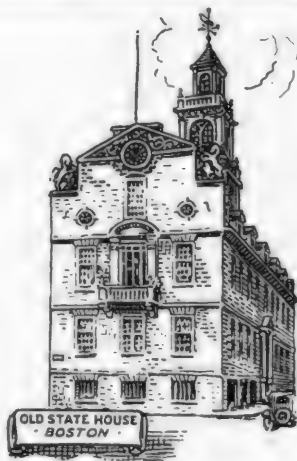
**THE SAVINGS BANK
OF NEW LONDON**

**THE UNION BANK
& TRUST COMPANY**

In an Historic Neighborhood

near the Old State House, close to the Old South Church and the birthplace of Benjamin Franklin, and not far from many other historic scenes and landmarks of Colonial Days.

Visit us during your stay in Boston



DAY TRUST COMPANY

45 Milk Street, Boston

How Insurance Grew Up with New England Banking

By **TERENCE O'DONNELL**

AS was the case in other early settled portions of the United States, New England appropriated her insurance practice and policies from Old England. The earliest policies are more or less crude adaptations of English forms. And as has happened in other times and other countries, marine insurance was the first form which appeared.

Here the tradition again conforms with England, where the first insurance offices were the coffee houses. Just as Lloyd's, Garraway's and the New Jerusalem coffee houses were London underwriters' headquarters, so in the colonies the coffee houses were the headquarters for the peruked and powdered insurance men of the early time.

Though venturesome enough to match the nature of their business, they were by force of circumstances a conservative lot. The Revolution and the War of 1812 had decimated currency, and depressed shipping. The private underwriters, with few exceptions, ventured from \$50 to \$100 apiece, a dozen or more subscribing to a policy. These policies remained conservatively English long after the foundation of the United States. They included such phrases as non-responsibility for "liability for risks arising from the acts of God or the King's enemies"; and it was furthermore stated that the policy was to have as much force and effect as "the writings or policies of insurance heretofore made in Lombard Street or in the Royal Exchange or elsewhere in London."

Early Marine Policies

THERE is of record a Lloyd's policy No. 1308, issued in 1748, insuring Mr. Tim Orne of Salem and the charter party of the good ship *Valiant*. In Salem an insur-

ance office used to be kept in King Street near the Long Wharf by Joseph Dowse. There must have been many such, and it is unfortunate that except in few cases the early underwriters, private or corporate, did not realize they were making history and so preserve their documents.

In his "Voyages of a Merchant Navigator", which relates the early foreign commercial penetration made by a Salem shipmaster, Richard J. Cleveland relates that his brothers held in succession the office of president of the Commercial Insurance Company. This was a marine company, long since, like others, faded out of existence. Cleveland's brother George was also president of the East India Marine Society of Salem. This, like the Boston Marine Society, was a charitable association composed of shipmasters which had many of the aspects of a fraternal association.

Bank Stockholders

MARINE insurance was early a field of operation for the Connecticut underwriters. Chief of these was the firm of Sanford & Wadsworth which in 1794 opened an office in Hartford, Connecticut, for the purpose of insuring houses, furniture, goods and so forth. The firm had many partners in the new venture, which was named the Hartford & New Haven Insurance Company. Elias Shipman was appointed agent of the branch office at New Haven, and as this was before the turn of the last century he may be said to have been the pioneer agent in the United States. Shipman later founded his own company, the New Haven Insurance Company. Many of the members of Sanford & Wadsworth's underwriting corporation and other similar ventures were

stockholders of the Hartford Bank and the Union Bank of New London, founded in 1792.

These bank affiliations were vital to the early underwriters for the Revolutionary War had dissipated the great colonial fortunes. Most of the underwriters were men of small fortune who without bank affiliation could not consider large risks. Even so, the early underwriting corporations and many private underwriters passed out of the picture in the wake of the depression following the War of 1812 and the consequent embargoes. Some of the companies, like the Norwich, saved themselves by changing their business to fire insurance.

Corporate Insurance Pioneers

BOSTON and Connecticut were early in the joint stock and mutual picture in New England. The Massachusetts Fire and Marine was organized in Boston in 1795, the Boston Marine in 1799. The Mercantile Marine, Boston, chartered in 1835, was very successful and, as with many of the older marine companies, in time expanded its services to take in fire risks.

The decline of purely marine insurance in New England has been charged to a variety of causes, all economic. Salem dipped its ensign to the newer port of Boston, which in turn dipped its ensign to New York on the eve of transcontinental railway development.

The clipper era came and passed without Boston shipwrights anticipating the merits of steam navigation, and the old whaling fleets disbanded. Competition from foreign companies was also a factor in the decline. In the eighties there were twenty-odd incorporated marine insurance offices in

(CONTINUED ON PAGE 121)

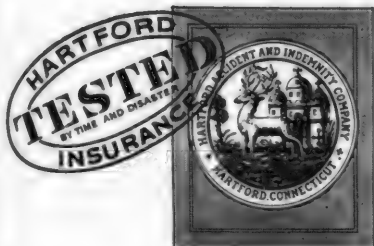
POSITION	Amount of Loss	Amount of Bond	EXCESS LOSS	POSITION	Amount of Loss	Amount of Bond	EXCESS LOSS
AID SOCIETY				FREIGHT BROKERS			
Secy.-Treas.	\$ 2,119	\$ 500	\$ 1,619	Collector.	\$ 5,900	\$ 2,000	\$ 3,900
ALCOHOL COMMERCIAL MFR.				FRUIT & PRODUCE (WHOLESALE)			
Branch Manager	46,000	5,000	41,000	Bookkeeper	75,000	2,000	73,000
APARTMENT HOUSE				Salesman	2,024	1,000	1,024
Manager	7,298	5,000	2,298	FURNITURE, RETAIL			
ATHLETIC CLUB				Coll. Clk.	22,000	5,000	17,000
Auditor	5,897	5,000			20,288	5,000	15,288
AUTOMOBILE DEALERS					710	500	210
Distributor	98,700	50,000			1,210	1,000	210
Bookkeeper	46,915	1,000		FURNITURE (WHOLESALE)			
Asst. Cashier	16,872	10,000			15,000	1,000	14,000
Secy.-Treas.	11,835	10,000		MANUFACTURERS			
Shipping Clerk	6,333	5,000			2,052	1,000	1,052
AUTOMOBILE MFR.					1,771	1,500	271
Asst. Manager	12,992	5,000			5,178	2,500	2,678
AUTO RADIATOR MFR.				FURS			
Bookkeeper	5,486	3,000			13,424	1,424	12,000
BEAUTY PARLOR EQUIPMENT				GENERAL MERCHANDISE			
Manager	1,000	500			612	500	112
Manager	4,000	1,000			2,000	3,000	19,000
BENEFIT ASSOCIATION				GLASS MFR.			
Secy. & Treas.	16,343	3,000			14,867	1,000	43,867
BOARD OF TRADE				VALUE COMPANY			
Office Clerk	9,400	5,000			2,518	2,000	518
BOOKSTORE				GOLF CLUB			
Stock & Shpg. Clk.	1,000	750			6,289	5,000	1,289
BOWLING CONGRESS				GRAIN COMPANIES			
Treasurer	1,007	800			2,250	1,000	1,250
BUSINESS MANAGEMENT CO.					17,000	2,500	14,500
Cashier & Bkpr.	9,410	5,000			7,536	2,000	5,536
BUTCHER				GROCERY RETAIL			
Cashier & Bkpr.				Bookkeeper	4,878	2,500	2,378
BROKER				Off. Mgr. & Bkpr.-Csh.	3,362	3,000	362
Broker					1,140	1,000	140
SALESMAN					2,404	1,000	1,404
Salesman					245	1,000	845
Salesman				(WHOLESALE)			
Cashier &					2,500		2,717
Treasurer					12,500		16,845
Superintendent	8,000				1,500		344
CHEMICAL SOCIETY					1,000		567
Asst. Secy.	6,509	2,000	4,509		1,000		1,175
CHURCHES					1,000		2,445
Treasurer	100,000	25,000	75,000		1,000		3,606
Treasurer	1,000,000	50,000	950,000		1,000		800
					1,000		2,300
					15,000		7,879
					5,000		18,557
				Driver	1,913	750	1,163
				Bookkeeper	1,684	1,000	684
				HARDWARE			
				Bill Clerk	1,455	500	955
				Salesman	1,560	500	1,060

This list proves that hundreds of concerns are exposed to big dishonesty losses

Write for this table which shows excess dishonesty losses. Note the amount by which they exceeded the fidelity bond in each case.

These losses could have been covered at a relatively trifling cost.

Does your management or do your clients risk similar losses? We suggest that you discuss Blanket Dishonesty Insurance with a Hartford agent or your broker.



HARTFORD FIRE INSURANCE COMPANY
HARTFORD ACCIDENT AND INDEMNITY CO.
HARTFORD CONN.

Whatever it is . . . wherever it is . . . insure it in the Hartford. For nearest agent's name phone Western Union.

HARTFORD
CONNECTICUT
TRUST COMPANY

JOHN B. BYRNE
President

FIRST
NATIONAL
BANK OF
HARTFORD

JAMES W. KNOX
President

MEMBER
Federal Deposit Insurance Corp.

RIVERSIDE
TRUST
COMPANY

OLIVER B. ELLSWORTH
President

MEMBER
Federal Deposit Insurance Corp.

HARTFORD STANDS OUT

A public service well done reflects itself upon a community. Banks are public servants, performing a civic duty. These Hartford banking institutions take pride in the fact that their combined resources total well over

\$193,889,000.00

These combined assets, plus the sound financial judgment, strength and stability of these banks, is available to the **229,819** people comprising the population of Metropolitan Hartford.

CAPITOL
NATIONAL
BANK AND
TRUST COMPANY

ERNEST J. EDDY
President

MEMBER
Federal Deposit Insurance Corp.

HARTFORD
NATIONAL
BANK AND
TRUST COMPANY

ROBERT B. NEWELL
President

MEMBER
Federal Deposit Insurance Corp.

PHOENIX
STATE BANK
AND TRUST
COMPANY

L. P. BROADHURST
President

MEMBER
Federal Deposit Insurance Corp.

CONNECTICUT
RIVER
BANKING COMPANY

L. MARSDEN HUBBARD
President

(CONTINUED FROM PAGE 118)
New England and New York, and these declined rapidly to a few, mainly in the latter metropolis. Few of the American companies could meet the foreign competition successfully. Whereas they were required to subscribe a cash capital, not so the outside company. The foreign company paid a nominal registration fee, deposited securities which were as safe in the branch as in the home office, and enjoyed all the privileges of its American competitor by paying a small surtax on the premiums it received.

Early Life Policies

THOUGH life insurance as we know it today practically gained its foothold in Boston, the early policies were as crude as their marine and fire counterparts. This is evidenced in the earliest New England life policy of record, on the life of one Benjamin Lincoln of Boston. The policy was for £1,000 sterling, for which the assurers received a premium of £5 sterling.

The tontine fever was a factor in early life insurance development in New England, with effects more bland than was always observable elsewhere. A tontine with 245 nominees in operation at New Haven built and operated the famed old Tontine Hotel. It had a splendid view of the Yale College green and housed many distinguished visitors. It no longer exists.

Popular Delusion

PRIOR to 1843 the only company to which the respectable New Englander could present himself with any degree of assurance was the Massachusetts Hospital Life. This company, founded in 1818, was unusual in many ways. Its existence was predicated upon the delusion, often widely held by public officials, that life insurance is an immensely profitable undertaking. The company was organized on the basis of annuity grants for the Massachusetts General Hospital, the insuring company

retaining one-third of the net profits. This provision was extended to all life insurance companies that might arise within the Commonwealth, but the law was more favorably amended in 1848 and later died out altogether.

The Massachusetts Hospital Life in turn ceased aggressive operation, its later business becoming chiefly annuities and trusts. It is best known nowadays for its actuary, Nathaniel Bowditch. He had been a Salem supercargo—he taught even the colored cook navigation aboard ship—and divided his time between actuarial calculations and navigation mathematics. His most impressive effort was *The New American Practical Navigator*, still extant in revised editions.

Stock and Mutual Forms

LIFE insurance as issued by companies early took two forms, stock and mutual. The New England Mutual was formed with the avowed intention of imitating the hoary old Equitable of London in every way save the name. The Massachusetts legislators were uneasy over the idea of chartering a mutual company with no capital, and required a temporary beginning cash capital of \$10,000, to be refunded later from the assets of the company.

Though the New England Mutual obtained its charter in 1838 it did not "begin to walk", as they say in the Boston office, until 1843. Its first policy was issued in 1844. The New England Mutual originated the limited credit or part-note premium plan of paying for life insurance. This was handled by the New England Mutual as it had been intended—as a method of budgeting insurance premium payments, though in other hands and in other places the practice led to many abuses. Willard Phillips, first president of the New England Mutual, served 23 years. He wrote the *Law of Life Insurance*, the first American work of its kind, which went into several editions. As with other pioneer New England companies the New England Mutual's home office

"YOUR LETTERHEAD

**IS THE
VOICE**

OF YOUR BUSINESS"

The better the paper, the better the voice that carries your words. The best papers are made from rags and Crane's Fine Papers for business and executive use are made from rags and rags alone. They speak for you with the utmost confidence and distinction.

Crane's

FINE PAPERS

MADE IN DALTON, MASSACHUSETTS
SINCE 1801

1862-1937



**SEVENTY-FIFTH
ANNIVERSARY**

**FIFTY YEARS
IN
U. S.**

Do Your Directors Read BANKING?

it's a town you'd like—
GREENFIELD

Massachusetts

There's many a friendly nod as you walk down its elm-arched Main Street. A sturdily Yankee town of 15,000 people nestling in the beautiful Connecticut valley at the start of the Mohawk Trail. Industrially vigorous, Greenfield's taps, dies, and other small tools are used all over the world. On its outskirts tobacco and onion farms prosper. If you are going through western Massachusetts, visit us (our hotels have splendid accommodations). It's a town you'll like.

**First National Bank &
Trust Company
Franklin County Trust Co.**

became one of the handsomest landmarks in that area.

In 1844 the State Mutual Life of Worcester, Massachusetts, was formed. In 1845, after preliminary cultivation of the receptive Connecticut soil by Dr. Pinckney W. Ellsworth and James L. Howard, the Connecticut Mutual of Hartford was born. It has always operated on the mutual plan, is still in existence, and while beginning without capital stock paid its first claims through a guarantee fund of \$50,000 provided for in its charter. With the Aetna, also of Connecticut, it was one of the first among New England companies to pioneer in western securities and farm mortgages. The American Mutual Life, really a stock company, was organized at New Haven in 1847. It changed its name later to Capital Life, became mismanaged, and succumbed in 1878.

Five new companies were begun in 1848, two of which, the Union Mutual of Maine and the National Life of Vermont, were successful.

Their management was and remains excellent, with expense rates uniformly below the average. The Union Mutual pioneered in the writing of endowment policies, one having been issued by it in 1850 to John R. Weeks.

Slave Insurance

OTHER early New England companies included the Hartford Life & Health, 1848, which changed its name later to Hartford Life. It was an offshoot of the Connecticut Mutual, and intended to handle operations from which the latter was prevented by its charter. Like many of the older companies it entered the then lucrative field of slave insurance before the Civil War. Few companies that pioneered in that early phase of group insurance were successful. It held too many abuses, and so like the Hartford Life the companies either wound up that department or their own affairs with despatch.

The Charter Oak (not the later company of the same name) opened its stock subscription books at Hartford in 1850. It had a good directorate and should have been successful, but unwise investments made it fade from the insurance picture. The Massachusetts Mutual of Springfield, Massachusetts, was one of the important companies incorporated in the 1850's. So was the Phoenix Mutual, which began at Hartford as the Temperance Life with the laudable intention of signing up only total abstainers. As there were not enough of these available the restriction ended. The Phoenix was mutualized in 1889 and its plan was followed by many other life insurance companies in the wake of the Armstrong investigation.

Multiple Line Companies

A CHARTER amendment one year after incorporation in 1819 gave the Aetna Fire of Hartford authority to grant annuities, provided additional capital not exceeding \$150,000 was forthcoming. This privilege never being exercised, in 1850 the ancillary company was empowered to grant assur-



*Buy Paper as you would
equipment . . . on **FACTS!***

**This Booklet will
show you **HOW!****

You get more service from your records, more quality in your business stationery, when they

are made from the *right* kind of rag papers. But can you select such papers intelligently?

Here at last is a booklet that will show you *how* to select the most *serviceable* papers for your records, the most *effective* for your stationery—both at no extra cost, perhaps at a real saving.

L.L.BROWN

Write today for your free copy of this valuable booklet. Use your letterhead, please. L. L. Brown Paper Company, Adams, Mass.



RECORD and
CORRESPONDENCE

PAPERS

ances on lives. After a trial period it was thought best to have the two projects under separate control, so by still another amendment to its charter the Aetna Life pursued its independent way in 1852. Through concerns like Aetna and the Travelers, New England pioneered in multiple line companies.

The John Hancock Mutual Life of Boston was incorporated in 1861 as an exponent of the Massachusetts Non-forfeiture Law which Elizur Wright, commissioner of insurance, fostered, and was the first company to pay a loss under that law. In 1877 this company perfected the plan of industrial or workmen's insurance now so popular, which offers small-denomination policies on easy policy terms. The Continental Life, a Hartford project of 1862, soon went the way of the Charter Oak, entering receivership in 1887. The Travelers Life of Hartford began to write life insurance in 1865. Policies were non-participating, with premiums at low rates.

In 1866 the Connecticut General Life of Hartford conceived the philanthropic scheme of making itself a clearinghouse for substandard lives. It gave up the idea after two years and since then has provided standard life insurance. The Hartford Accident Company, organized in 1866, planned to write accident insurance, but two years later began to write life insurance only.

Early Fire Insurance

EARLY experiments in fire mutuals were made early in nearly all the cities of New England. Woodward in his *History of Connecticut* writes the obituary of many of the early efforts, remarking: "Of them it can be said that they were managed with ordinary ability, and were destroyed by extraordinary calamities." But in the case of the going fire insurance companies which fortunately were able to survive, New England remains deeply in debt. When the life insurance companies began to spread their agencies over the

A Notable Record of Stability

New England Mutual has the unique record of having increased its Insurance in Force by 35% since 1928.

Insurance in Force June 30 Each Year

1928	\$1,071,532,916
1933	1,263,203,627
1937	1,439,299,507

NEW ENGLAND MUTUAL Life Insurance Company of BOSTON

OLDEST CHARTERED IN AMERICA—1835—THE FIRST MUTUAL

We Extend

*to the delegates a hearty welcome to
New England and the wish that they
will have a very profitable and
enjoyable Convention.*



**MASSACHUSETTS MUTUAL
LIFE INSURANCE COMPANY
SPRINGFIELD, MASSACHUSETTS**
Organized 1851

SEASONED

Bankers well know the confidence and prestige enjoyed by banking institutions seasoned in the forge of time and having long histories of faithful service in their communities.

So also with bonding and insurance companies.

Celebrating this year its thirtieth anniversary, the MASSACHUSETTS BONDING AND INSURANCE COMPANY takes pride in the number of banks which honor it by continued patronage.

Such confidence rests upon a record of thirty years during which, through fair weather and foul, the company has steadfastly served its clients, becoming ever sturdier with the years.

MASSACHUSETTS BONDING AND INSURANCE COMPANY

T. J. FALVEY, PRESIDENT

Fidelity and Surety Bonds and Casualty Insurance

AGENCIES and BRANCH OFFICES THROUGHOUT
THE UNITED STATES

rapidly developing area of the United States it was the reputation of the fire companies which preceded them that brought the life companies increase of policyholders and good will.

The First Company

FIRE and marine insurance—the two usually have gone together—were carried on as far back as 1724 in Boston by the private underwriters. The first company chartered in the commonwealth was the Massachusetts Fire and Marine, 1795. In 1799 the Boston Insurance Company was chartered. Only a single policy remains of a Hartford Fire Insurance Company that was organized but not incorporated in 1793, and its policy goes back, not to the common English originals but to one dated 1741 in Amsterdam. The Massachusetts Fire and Marine was founded in 1795 and continued until its charter was revoked by the legislature in 1848. It was followed by the Massachusetts Mutual in 1798 and by the Boston Marine and Newburyport Marine. The Providence-Washington was founded in 1799 at Providence. These comprise, with the Mutual Assurance of Norwich, the New England fire and marine companies founded in the 18th century. The latter company, which received its charter in 1795, may be said to be the parent of the vast group of companies which make Connecticut the great insurance state.

Bucket Brigade Days

THE oldest stock fire insurance company in Connecticut is the Hartford Fire, incorporated in 1810. Until the 50's of the last century fire insurance company operation and fire prevention were small-scale businesses. It was the formative period for the fire insurance companies, which had few traditions to follow, and which perforce were compelled to draw on experience to make their own rates as they went along.

"Fire coroners" were being ad-

vocated in 1858, and in 1859 there was but one paid fire department in the United States, at Cincinnati. Volunteer fire companies—bucket brigades—fought fires and each other for company honorariums. Houses carried metal fire marks over their doors.

Fire engines had been introduced in 1800 at Philadelphia, riveted hose in 1808, but the bucket brigades were jealous and conservative. The first fire signal system was originated in Boston, and though crude it was an undoubted forerunner of the efficient systems of the sort we have today.

Two great New York fires, in 1834 and 1845; the Chicago fire of 1871 and the Boston fire of 1872 severely drained the resources of the New England companies. Some collapsed, some responded nobly. The Hartford Fire Insurance Company and the Aetna suffered severely from the New York holocausts, but met their obligations. The Springfield Fire and Marine acquitted itself creditably at the time of the Chicago fire. The Phoenix gained some very favorable publicity when during the Chicago fire the *Tribune* displayed a placard signed by H. H. Magill, general agent of the western department, stating that the Phoenix of Hartford had begun to pay claims in full.

Since the 1850's two forms of fire mutuals have developed in New England, the township mutuals and the mill mutuals, known as the factory mutual system of fire insurance. The latter, with the National Board of Fire Underwriters, has taken the lead in propaganda for fire prevention.

New England now writes an appreciable percentage of the various insurances offered in the United States, and quite out of proportion to her own population. The genius of the early Yankee merchants, who were men of strong moral fibre and strongly individual characteristics, persists in the New England insurance world of today and attracts to it an ever-increasing volume of the insurance apportionment of the United States and its dependencies.



City of Diversified Industries

Worcester has the largest population of any manufacturing city in the country not on a waterway, and is known throughout the world as the "City of Diversified Industries." It has more than 600 manufacturing establishments, with invested capital amounting to \$203,000,000. The annual product value is approximately \$205,000,000.

Distribution Center of New England

The eight and one-half millions of people in New England must be fed, clothed, kept warm and provided with the hundreds of necessities and luxuries of life. Worcester, located almost at the exact center of the great New England market, is the logically situated city from which the swiftest and most economical distribution of merchandise to this market can be obtained.

The Cross Currents of New England Trade and Finance Meet Here

Strategic location in the heart of New England makes this a logical place to do business. Deposits January 1, 1937 in the following banks totalled \$58,507,892 and resources \$66,848,593.

Guaranty Bank & Trust Co.

The
**Mechanics National Bank
of Worcester**

**Worcester County Trust
Company**

Management Has Progressed Since the Boston Convention of 1886

THE wonderful facility with which a lady will manipulate this piano-like aid to correspondence proves to many a banker her special fitness for playing upon this invaluable help to talking on paper."

So wrote Claudius B. Patten, born 1828 and died in Boston 1886. The material for his book *The Methods and Machinery of Practical Banking* was gathered largely while he was cashier of the Suffolk Bank and was published the year of the first Boston Convention, 1886.

The typewriter was used in crude form about 1879, but the encyclopedia informs us its manufacture was not classified as an industry until 1890, so the "piano-like aid" must indeed have been one of the last memories of the author.

The early chapters of Patten's

book are addressed directly to the bank staff whose members he wishes to interest. "Bankers are men of affairs; they drive ahead in the path of daily work and worry, and let others write books," he apologizes for having turned author at all, and at once becomes personal: "It is often urged that few positions in banks afford proper scope for a lively and intelligent young man. This has been given undue weight because so many rather unintelligent and unlively young men have entered banks." As a surprise to his readers (who in those days more often entered a bank somewhat late in life) he announces that, "Some of the best bankers to-day were once serving as messengers, tellers etc." "There is," he writes, "a practice commencing of taking in boys from 16 to 18," and relates that while in England he found "The

Bank of England takes in such boys, sons of clergymen, army officers and what Londoners call 'tradesmen of the better class' at £60 and £80 per annum."

How many today will agree that "All sorts of business have shady and sunny sides, and one of the relieving features of banking is that its workers have more time to themselves than clerks in other occupations"?

Hope for some and consolation for many may be found in this remark by Patten: "Observation convinces me that there are instances without number where officers of merit and ability to fit them for the highest positions have through unpropitious circumstances never gravitated out of their inconspicuous offices, while men scantily equipped have been lifted by unusually favorable circumstances."

When Patten records that "City banks open at 10 in summer and 9 in the winter . . . while banks in the country generally are open from 9 till 2," he seemingly refers to the actual hours of staff work, for he counsels "clerks should leave the bank as soon after closing time as they can." There is a facsimile of a petition of the seven employees of the "Boston Bank" dated 1807 (when there were only two banks in the city) requesting that inasmuch as "most of the undersigned have families, attention to which requires necessarily some portion of the morning", the bank during the Winter be opened at 10 instead of 9 o'clock. Writing of still another age (presumably 1878-84) he says: "The London bank clerks recently petitioned their boards to close early on Saturdays. The press of London has favored the plan. . . . Bank managers and many merchants oppose it and its success is doubtful."

Pointers for Clerks

PATTEN addresses himself sharply to clerks who "are apt to fail in coming home promptly after the time allowed them for vacations." Enjoining attention and civility to customers (or "dealers" as they are usually referred to), he

REDUCE TYPING, MAILING AND FILING COSTS

USE

ESLEECK THIN PAPERS

For Office Records, Factory Forms, Thin Letterheads, Copies, Advertising Literature, etc.

Thin - Strong - Economical

Ideal for Air Mail, Branch Office and Foreign correspondence.

FIDELITY ONION SKIN <small>100% RAG</small>	EMCO ONION SKIN <small>100% RAG</small>
--	--

SUPERIOR MANIFOLD

83% RAG

SAMPLES SENT ON REQUEST

ESLEECK MANUFACTURING COMPANY

TURNERS FALLS, MASSACHUSETTS

suggests: "If there is work to be done, let the work be done first, and the newspapers read afterwards."

Most minute attention is given the rising clerk. "Cross all the t's, and cross them distinctly . . . dot all the i's and dot them emphatically and in the right place. Use good ink, put on plenty of it. Learn to use pencil quill or pen." Mr. Patten's prejudice against the steel pen is a little hard to understand. Steel was in use as early as 1830, and must surely have been somewhat general by 1847 when he entered banking. Yet he triumphantly holds up the sad case of a friend: ". . . considerable writing with that modern instrument of torture the steel pen had brought upon him a stroke of scrivener's palsy." While admitting the limitations of the quill on books he insists that "every person should learn to make a quill pen."

He decries the evils of the growing night life of the age and wonders not that "bank clerks

and others are totally unfit to perform their daily duties, when they so frequently attend parties or entertainments keeping them out of bed till well nigh midnight!" Mr. Patten is rather severe in the matter of social behavior. He visited England, examined its banks and in most respects holds up the English as models. There are, however, exceptions: "Allowing that beer is one of the substantial and inevitables of an English banker's lunch, I attribute this to their climate, and have no hesitation in saying that the American bank clerk is better without stimulants mild or strong."

Family Man

"It is well," advises Patten, "for the bank man to have a family about him. . . . The children that cluster about him should be looked upon as customers who deserve the most tender and persistent attention. . . . The man who can look into the innocent faces of his little ones, who believe in him and are proud of him, and then go out

and violate a trust . . . must be lost to all true sense of manhood."

Despite the testimonial to the lady who manipulates the piano-like aid it appears that women had yet to win entrance to the sacred portals of city banks. "Women are now employed in some banks of the interior but in general the average woman has only a spending acquaintance with money, and . . . is not expected to understand how it is gained or managed."

Little information appears respecting salaries of bank employ-

2,379,877,000
KILOWATT HOURS

The 1936 output of electric energy by subsidiaries of the New England Power Association totaled nearly two billion, four hundred million kilowatt hours.

Significant of the splendid balance in the System's generating facilities, approximately 43 per cent of this output was generated by its hydro-electric plants and about 37 per cent by its steam-electric plants. The rest was purchased through contractual arrangements by means of interconnections with other electric companies.

Besides furnishing low-cost power to New England's busy industrial plants, this integrated System provides reliable electric service to more than 420,000 homes and gas service to more than 120,000 homes in a territory having a total population of approximately 2,200,000.

The vitality and strength of present-day New England gives evidence of the fundamental importance of its chief Public Utility System which ranks among the greatest in the Nation.

NEW ENGLAND POWER ASSOCIATION



"WE'RE MOVING THE PLANT TO RHODE ISLAND"



RHODE ISLAND attracts new plants through natural advantages and cooperative attitude. Within 250 miles are 25 million people — a vast market of consumers and suppliers readily reached by air, water, railroad or splendid highways. Abundant skilled labor, with Yankee ingenuity. Good government, good homes—ample banking facilities, excellent schools, stores, fire and police departments. Reasonable tax, transportation and power rates.

WHILE AT THE CONVENTION

enjoy a day in Rhode Island. Visualize the industrial possibilities. October foliage is beautiful. Splendid golf and other attractions. Invigorating climate. Untroubled by floods or hurricanes. Rhode Island is an ideal place to live and work the year 'round.

For list of available properties, write SECRETARY OF STATE
219-1-B State House, Providence

**RHODE ISLAND—A Great State
in which to live and work.**

NEW BRITAIN CONNECTICUT

"The Hardware City of the World"

SITUATED midway between Boston and New York on the New York, New Haven and Hartford Railroad. Population 80,000.

15,000 Homes.

18 Parks containing 850 acres.

Grand List \$119,000,000.

35 Industrial Plants employing 13,000, with an annual output estimated at \$40,000,000.

Principal products are Builders Hardware, Locks, Household appliances, Saddlery hardware, Ball bearings, Knit goods, Machinery.

Home of Connecticut Teachers College.

Elihu Burritt, "The Learned Blacksmith," known for his efforts toward international peace and brotherhood, was born here.

2 Commercial Banks with total assets of \$16,500,000.

3 Mutual Savings Banks with total deposits of \$26,000,000.

New Britain National Bank
The Savings Bank of New Britain
The New Britain Trust Company
Burritt Mutual Savings Bank
People's Savings Bank



*New Britain's
World
War
Memorial*

ees of the period, an interesting exception being the mere statement that branch managers in Canada are paid \$2,000 to \$4,000. But clerks' liability for losses is dealt with sometimes in a way that sounds naïve: A loss of \$2,000 occurred by payment of a forged or altered check, and after a thorough investigation the directors very considerably "assumed the loss on the ground that it was one of the legitimate risks of doing a banking business, and deducted the amount from the paying-teller's salary."

Human Interest

CLAUDIUS PATTEN was a master of routine practice and theory, and an expert in human nature. He is constantly pausing to tell stories of real life,—even a lengthy account of a death amongst the staff.

He had a deep sympathy with the toiler at the desk.

"There are banks in England," he writes (and hopes for such some day in America), "that arrange schemes of life insurance for the entire staff, paying either the whole or one-half the cost."

Conveniences—1886

RUBBER stamps were apparently unknown, but he encourages the clerks: "Any banker of long experience will recall the days when



FROM "A HISTORY OF THE HARVARD TRUST CO."

stamp machines for endorsing collections had not come. . . . The bank officer thinks of the weariness of the time he was required to go through the drudgery of writing all the pay to order forms."

Fewer checks were used and the collection business was important. "Now we have express trains in place of stage-coaches. In towns and villages the ubiquitous express companies do the banks' . . . collection business."

In those days all passenger trains were called express trains, but from the banker's viewpoint the "express" feature of those trains was very important.

Later, when there were banks (having no branch connection), Patten speaks of the system as "round-the-Horn methods of mak-

Massachusetts Investors Trust

Prospectus upon request

MASSACHUSETTS DISTRIBUTORS, INC.

General Distributors

85 DEVONSHIRE STREET, BOSTON

NEW YORK JERSEY CITY CHICAGO LOS ANGELES

HOLYOKE

Located in the beautiful Connecticut Valley, at the foot of Mt. Tom, is Holyoke, the "Paper City," widely known as America's largest manufacturing center for fine writing paper. It is also the home of nationally known textiles and many other diversified industries.

Industrially Holyoke has many advantages such as low power costs, low cost of process water, low tax rate, overnight deliveries for its products in Boston and New York, a good supply of skilled labor and land and buildings which are available at low cost.

Holyoke is a friendly city. It is an ideal city for industrial and home life.

**HOLYOKE
SAVINGS BANK**

**MECHANICS
SAVINGS BANK**

PEOPLES SAVINGS BANK

***HADLEY FALLS
TRUST COMPANY**

***HOLYOKE
NATIONAL BANK**

***THE PARK
NATIONAL BANK**

*Members Federal Deposit Insurance Corporation

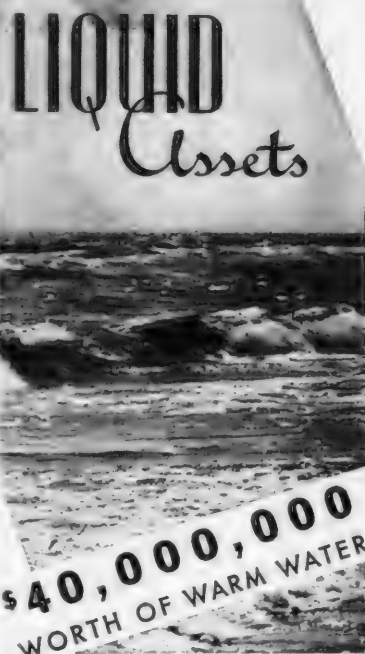
ing collections," and deplores that (presumably 1885) "banks in that respect are just about where they were thirty years ago." (There is an actual case where, in 1893, a draft on Salem, Oregon, was lodged with a bank in Portland—60 miles distant. Having no arrangement with the Salem bank, the item was sent to Boise, Idaho, and from there in turn to St. Paul and Chicago, from which city it was actually sent back to another bank in Portland which could collect through its direct account in the Salem bank.) The time thus consumed was such that "in 1887 the Hide and Leather Bank of Boston had outstanding collection accounts of \$2,100,000 and annual cost of such country collections was \$229,000", and "at a later date, the account was \$4,000,000 and the cost \$400,000."

Even in the matter of collection through direct correspondents the waste was considerable. Patten wished to devise a collection clearinghouse, after ascertaining that "1,700 letters go out from Boston each day addressed to a possible total of 277 National banks in New England."

Protests Were Common

BECAUSE of the time consumed in getting a dishonored collection home the practice of protesting was much more general. "I have known a bank having 1,200 notes maturing in a day and 80 of them were given the notary for protest." It is explained that, in the absence of a notary, "anybody can protest a dishonored demand." As opposed to the system probably universal today, the author cites a court case in which it was ruled that a note might be protested any time of the day, because payment was considered as due as soon as the bank opened.

Envelopes came into use in England in 1849 (along with the penny post) and in the United States in 1850. Patten never took altogether kindly to the innovation. "It is possible," he writes, "that objections to envelopes may in time lead to their being thrown aside for a substitute that will not



*biggest asset of the banks in
this famous resort region*

Clear, sun-drenched bathing water, rolling lazily on hundreds of white beaches, averaging a temperature of seventy degrees, from June to September.

Warm water, best of all our assets of scenery and climate, bringing thousands of desirable families here annually from all over the world.

Such people fill our hotels and inns, rent the spare room in thousands of the permanent homes, lease and buy our land for summer or year around residence, and now spend approximately forty million dollars with us each year.

We invite you too to visit us and enjoy warm water worth so much.

CAPE COD
Clearing House
ASSOCIATION

BARNSTABLE COUNTY NATIONAL BANK OF
HYANNIS

BUZZARDS BAY NATIONAL BANK

CAPE COD TRUST COMPANY, HARWICH

CHATHAM TRUST COMPANY

EDGARTOWN NATIONAL BANK

FALMOUTH NATIONAL BANK

FIRST NATIONAL BANK OF PROVINCETOWN

FIRST NATIONAL BANK OF YARMOUTH

HYANNIS TRUST COMPANY

MARTHA'S VINEYARD NATIONAL BANK

MIDDLEBOROUGH TRUST COMPANY

NATIONAL BANK OF WAREHAM

PACIFIC NATIONAL BANK, NANTUCKET

PLYMOUTH NATIONAL BANK



SCULPTURED
DETAIL FROM
BARRE MEMORIAL

BARRE MEMORIALS definitely set the standard to which all monuments are compared. For trust officers and executors of estates frequently called upon to purchase or to advise in the buying of a monument, *SELECT BARRE MEMORIALS*, inspected and certified by the Barre Guild, offer the utmost in dependable value. *SELECT BARRE MEMORIALS* are a total of perfect material and interested craftsmanship—eternally fitting and proper in their destined service—beauty made real by the inspiration of designer and sculptor. Write for the beautiful "Book of Memorials."

Address:

THE BARRE GRANITE ASSOCIATION, Inc.
Dept. BA, Barre, Vermont

"The Granite Center of the World"
The Barre Guild Mark

The **BARRE GUILD MARK** on the monument is evidence of Guild inspection and approval. It is applied to *SELECT BARRE MEMORIALS* created to Guild standards. It is further evidenced by a Guild certificate guaranteeing permanent satisfaction. No stronger guarantee can be made. An entire industry is pledged to its fulfillment. Guild approved monuments are sold only through responsible monument dealers. Write for book—*"To Protect Your Memorial Investment."*



*Rare Books and First Editions.
Americana. Prints. Autographs.
Catalogues on request.*

**GOODSPEED'S
BOOK SHOP, INC.**

18 Beacon and 2 Milk Sts., Boston, Mass.

A recent survey shows that 65,000 bank officers in the United States are regular readers of **BANKING**

be open to objection, or the envelope may go entirely out of fashion and folded and sealed letters in some improved form come into use."

An objection to post cards, he thinks, is the difficulty of putting them through the copy-press.

We Beg to Remain

PATTEN was no friend of reduction of routine in the matter of letters. He notes as very slipshod the habit of "answering" letters by simply thrusting in a draft in payment and returning. And I have in very fact known banks to do just that." He has not words to express contempt for any one who would send a draft for collection to another bank without a covering epistle, addressing the waste-paper basket of that bank as "Honored Sirs, We beg to submit for your approval and attention . . . and beg to remain, Your most obedient servant. . . ."

An Eminent Authority

EVEN blotting paper our author weighs in the balance. "It's invariable use . . . has a serious objection. It prevents the ink from settling into and becoming part of the paper. . . . The use of sand . . . can hardly be tolerated in common work, yet it adds to the strength and force of fresh writing. Dr. O. W. Holmes, now eighty, tells me about 'a record of my birth, made the day I was born . . . the sand shines upon the entry as if it had been flung there yesterday.'"

The reader is warned to look at new routine devices warily: "These so-called safety devices tend to make tellers . . . incautious . . . and thus become sources of danger instead of protection."

This writer on banking loved forms—the more comprehensive the better. The exclamation "A thing of beauty!" culminates the illustration of a cash book measuring, opened, 24 x 40 inches.

In issuing certificates for bank shares Patten enjoins that correct and not pet or household names be

inscribed, "as for example, where ladies are the holders, Susie for Susan or Bessie for Elizabeth."

Cash custody will always be important. It was especially so when a much larger ratio of payments were made in cash. Without any definite opinion on outside delivery, Patten observes that "Many 'out-tellers' in London are daily obliged to carry about the streets a deal of money. . . . Many London banks make it a rule that such a messenger shall not carry more than 2,000 pounds." In early days of the Suffolk Bank system (1825) certain gentlemen "took a carriage and pair, loaded up with country bank bills which were to be redeemed, put aboard some pistols, and drove around the country."

Vaults, until Mr. Patten's very recent memory, were guarded by two iron doors, each locked with two sets of keys. One was taken home by the cashier, the other being taken by a messenger to the home of the president. The keys were so heavy that they were carried in boxes especially made. He speaks of the recently-invented "self-operating time-combination class."

Up to that time it had "always been a question whether banking rooms should be on the first or second floor. The best trade is more likely to be diverted from than attracted to plate-glass, gilded rails, marbled counters. . . . I have noticed that borrowers have very little difficulty in climbing stairs in search of low-priced money."

Just Press the Button

THE discussions of bank premises make no mention of electric light, which was not used for private lighting until after Patten's death; and one of the last of his recollections was probably that of speaking over a telephone. He certainly never had one in the office.

But electric signalling systems were invented about 1870 (when Patten was 44), and of this luxury he writes: "At a touch of a signal electric wire, running under the floor from the side of my desk to



PORTLAND, MAINE

PERMEATED with the clean, fresh tang of the open sea, here is joy in living, in work, in prospering, in play. Here, life is full. With a pace not so swift as it is quiet, steady, sure, purposeful. A self-respecting community where strife is non-existent. With mutual respect ingrained between management and labor, as it is among all of its people.

Portland, Maine, with its neighboring centers, is a fine community of beautiful old homes, mellowed with generations of gracious living. Of newer homes, pretentious or modest. Of churches, clubs, theatres, hotels, hospitals, and other institutions both cultural and fraternal. With smart, modern retail shops serving an area embracing 400,000 people, although the city's population is 70,000. With retail sales, last year, over \$37,000,000. With 179 wholesale establishments serving this northeastern area, their net sales in excess of \$45,500,000. With 150 widely diversified industries manufacturing products to the value of \$21,715,000, last year.

The zest for living is in the very air itself. For Portland's year-round seasonal changes of healthful climate is equalled by few cities throughout the United States. It is an American city, with modern highways, bus lines, steamship lines; and a modern airport within three miles of the city's center, served by scheduled transport and mail planes. Three railroad lines are linked directly with all rail lines of the country. A rail belt line traverses the entire shore line of the city.

Portland is one of the eight principal ports on the Atlantic coast, and is the nearest American port to Europe. From its docks runs a straight, deep, natural channel, for just three and one-half miles to the open sea. Complete water terminal facilities include a 1000 foot modern pier of concrete and steel, one of the country's best ocean terminals on the Atlantic coast.

Portland has wide diversification of labor, both skilled and unskilled, available at reasonable wage scales, for all types of industrial and commercial activity. Good acreage is available for such purposes.

It is natural for all who establish residence or businesses in this city, to acquire a proprietary pride in saying, "I'm from Portland, Maine."

THE CANAL NATIONAL BANK OF PORTLAND

CASCO BANK & TRUST CO.

FIRST NATIONAL BANK AT PORTLAND

MAINE SAVINGS BANK

NATIONAL BANK OF COMMERCE OF PORTLAND

THE PORTLAND MORRIS PLAN BANK

PORTLAND NATIONAL BANK

PORTLAND SAVINGS BANK



Air view, showing a section of the Portland waterfront, where modern marine terminals are available for handling all types of waterborne cargoes.



A home in the center of Portland. Erected in 1804. Serene in its simplicity today, as then; and symbolic of the staunch character of a people.

the bronze door, you are admitted and when you leave you are 'fired out' by the same sort of lightning . . . I grow weary of writing . . . the stenographer comes to my relief with his competent typewriter and the hektograph (a gelatine process for getting manifolds of letters) man is not far away. . . . Vaults of finest steel seem to swing on golden hinges upon my treasures as if by magic, with combinations that are keyless and burglar alarms that are electric."

Note for Cashiers

HERE is a bit of advice: "The Cashier should avoid carping and criticizing remarks about the Board. It is about time for him to reform or cut adrift if everything is so managed as to lead him to spend so much time growling about the doings of the President."

One discussion concludes with an interesting case of error: "In 1820 a man deposited \$100 in a Boston bank and in a week drew it out. By an error his account

was not charged with the debit. In 1884 they stumbled on the old cancelled pass-book and (the bank, presumably) recovered \$1,200."

Safe Deposit

NOT only were safety deposit boxes absent from a banker's cares in those days, but "The Banking Department at Washington said that National banks had no legitimate right to encumber themselves with storing bonds and valuables; as a consequence National banks have abandoned this sort of business, leaving a clear field to the safe-deposit companies."

The telegraph was invented during Mr. Patten's banking life, and he discusses the marvels of wire transfers, but complains of the rates. In England telegrams of 20 words went for a shilling; in America costs were much higher. Further, "One telegraph company, having a monopoly in its territory, insisted on plain English writing of telegrams (not through any objection to code but) to extend its profits."

Travel Note

NO MENTION is made of travelers checks, but "circular credits" are recommended for travelers abroad. The tourist is, however warned: "You will be pretty sure to place your money, Circular Credit etc. under your pillow. But in order to avoid the awkward mishap of leaving these things where you have slept, use one of your hose as a wrapper. You will not travel far without that."

The modern banker could cheerily revise his budget of profits under this plan: "We arranged the tariff of collection charges on all points in the U.S. and the Canadas. Nothing below $\frac{1}{4}$ while $\frac{3}{4}$ and 1% were common charges where the paper was not payable in our immediate vicinity. On drafts due from 500 to 1500 miles distant 2 and 3% would crop out as exchange charges."

An interesting Massachusetts law is quoted as to ownership of money found in the bank: "If the position of the money indicates

Neshobe Gray Marble used in First National Bank, New York. Architects: Walker & Gillette. Photograph by Sigurd Fischer.



For
Enduring

BEAUTY and DIGNITY

To achieve distinctive interior effects and decorative treatments, nothing surpasses genuine marble, with all its natural beauty of color and delicate veining. Its great durability and adaptability to pleasing design make it an ideal medium in which to express the individuality of any institution.

Whenever new construction or remodeling is contemplated, Vermont Marble should be considered first. Some forty-five different kinds of marble are produced from our own quarries in a wide range of colors and variegations. They are fine in texture, resistant to fire and abrasion, and thoroughly practical to use. Full information, working data, and samples will gladly be furnished your architect on request. **Vermont Marble Co., Proctor, Vermont.**

An Invitation — Visit Unspoiled Vermont before you leave New England! Scenes of breath-taking beauty await you in the land of tree-covered mountains, now rich in autumn coloring. Fascinating winding roads, hospitable farms — and in the heart of it all, Proctor, with the finest exhibit of Marble in the world — and a cordial welcome to you all.

VERMONT MARBLE

AUTUMN VACATION



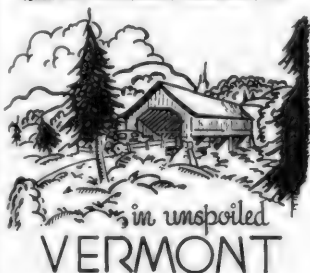
NATURE
IS PAINTING
A
MASTERPIECE!

JOIN THE THOUSANDS WHO ANNUALLY WITNESS
THE MAGIC OF INDIAN SUMMER IN THE GREEN
MOUNTAIN COUNTRYSIDE.

While seasons vary, the following are usually the
PERIODS OF VIVID FOLIAGE

Northeastern Vermont.....Sept. 15-Oct. 5
Champlain Valley and
Central Vermont.....Sept. 25-Oct. 15
Southern Vermont.....Sept. 30-Oct. 20

For further information write
Publicity Service, Department of Conser-
vation and Development, Montpelier, Vt.



The BANKETTE COMPANY, Inc.

Serving Banks Exclusively
Since 1925

Specializing in
Window and Lobby
Display Services
and Special Signs

136 FEDERAL STREET
BOSTON, MASS.

Every member of your board will
profit by reading this October Con-
vention issue of BANKING. A limited
number of additional copies have
been printed and are available at 25¢
each postpaid.

the property was left voluntarily
and forgotten, as on a table,
counter, desk . . . the store-
keeper, banker, etc., is entitled to
possession as against the finder.
If in a position indicating the
owner never intended to place it
there, as on the floor, the finder is
entitled to keep it."

"For value received' on a
promissory note is usually mere
fiction," says this authority, "and
is by no means a legal necessity."
Also the debtor who got rid of his
creditor by writing and signing
the phrase "I promise not to pay
One Hundred Dollars" was never-
theless in court forced to pay.

It is perhaps surprising to know
that "it is legal for a notary in
Boston protesting a note bearing
many endorsements, the last of
whom lives in New York, to mail
all the notices to him in New
York; that endorser must in turn
mail back to the one above him, in
Boston." Then, as now, a note
maturing on Sunday was in many
states legally due on Saturday.

"An authorized stamped en-
dorsement is as binding as a writ-
ten one," we find, "but there are
those who have a prejudice and it
is almost impossible to obtain
their acceptance of it. . . . Some
of the Boston and Philadelphia
banks refuse to accept it. . . . In
New York the use is universal."
Apparently labor saving methods
are not always adopted at once.
"To-day many corporations (and
banks) are mailing out their divi-
dends," as against the former
practice of advertising and requir-
ing shareholders to call.

Service Charge Ancestry

TWICE the author touches a very
modern problem: "I would recom-
mend taking all respectable ac-
counts, no matter how small, and
charge a commission for keeping
them. In England banks make a
charge for keeping small accounts.
There is no such custom in
Canada."

Finally, an important chapter
concludes: "I have tried in these
pages to record many points
which bankers have forever been
learning and forever forgetting."



Rutland VERMONT'S INDUSTRIAL CENTER

NESTLING in the heart of the Green
Mountains in a setting of unsurpassed
beauty, Rutland, with its exceptional
transportation facilities, its location
adjacent to the country's wealthiest
markets, and its ideal working condi-
tions, is the home of many famed
New England industries.

Here, Howe scales have been manu-
factured for over fifty years. Rutland's
machine shops have for generations
led the way in the development of effi-
cient stone-working machinery. Its
fire-clay has earned for itself an inter-
national reputation. From the world's
largest quarries nearby comes the Ver-
mont marble which is in such wide-
spread world-use for construction and
monumental purposes. Other well-
known products of the Rutland area
are agricultural tools and high grade
roofing slate.

The city is also the center of a large
and rapidly expanding dairying in-
dustry, furnishing dairy products to
New York and the large cities of in-
dustrial New England. Thousands of
tourists from all parts of the country
visit us every season and are rapidly
acquiring many choice bits of real
estate, both for summer homes and
permanent residences.

The officers of any of the under-
signed banks will welcome the oppor-
tunity to discuss Rutland's industrial
and residential advantages with you
at any time.

The Clement National Bank
Killington National Bank
Rutland Trust Company
Marble Savings Bank
Rutland County National Bank
Rutland Savings Bank



A Story of Long Service

Many New England banks trace their origins to the very early years of the Republic. A large number of these have issued anniversary booklets, a glance at which will show how completely these institutions have identified themselves with the growth of their communities. The covers of a few of these booklets are shown here



*The Bank
on a
Colonial Highway*

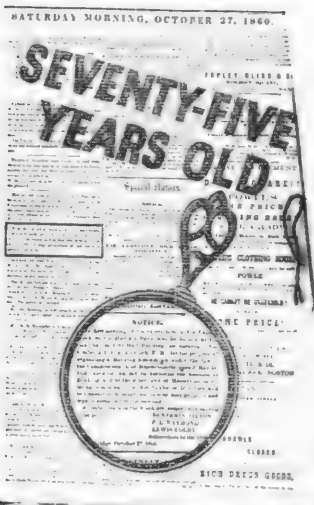


**The Merchants National
Bank of Burlington, Vt.**
Incorporated November 10, 1849
Capital, \$500,000
Surplus, \$250,000

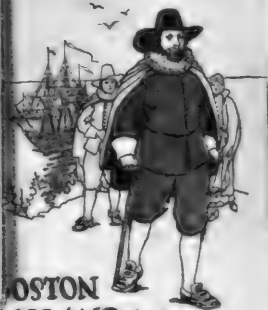
*The
Watertown
Savings Bank*



ONE HUNDRED
YEARS



OLD COLONY
TRUST
COMPANY



BOSTON
ENGLAND AND
BOSTON
NEW ENGLAND

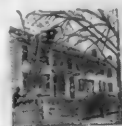
SPRINGFIELD SAFE DEPOSIT
AND
TRUST COMPANY
127 STATE ST.



1871 1931

Sixty Years Service

LEXINGTON SAVINGS BANK
177½ Massachusetts Avenue



Seventy Fifth
Anniversary

of the
CAPE COD
FIVE CENTS
SAVINGS BANK
Harrison Massachusetts

The
Winsted Savings Bank

1860 1935

Richford
Vermont
Past and Present
1875-1910

FIFTY YEARS
OF PROGRESS

ONE HUNDRED
YEARS
IN GREENFIELD

The Middle

Charters

Since 1865

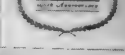
The Middlesex National Bank



Copy of Corporate Seal Adopted 1865

1784 • 1934

The
FIRST
NATIONAL BANK of
BOSTON



Walking Pictures



PHOTOGRAPHS FROM NEWSPHOTOS

Within range of Convention headquarters are many points of interest. For example, there are the Public Gardens (*above*), from which one may walk through the Common to its east corner and see.....

Park Street Church (*left*). Here brimstone was stored in 1812, giving the church the name of "Brimstone Corner". Here, also, *America* was first sung, July 4, 1832. A few steps down Tremont Street is.....

The Old Granary Burying Ground (*below*), where lie many of the important figures of Boston's history—several early governors, Peter Faneuil, Paul Revere, Robert Treat Paine, the parents of Benjamin Franklin, Mary Goose (Mother Goose) and the victims of the Boston Massacre. A few minutes' walk from here is.....



Scollay Square (*below*), which was the sight of the Franklin printing office, where Benjamin Franklin learned his trade. This, also, was a principal rendezvous of members of the Boston Tea Party. A short distance south is (*on next page*)





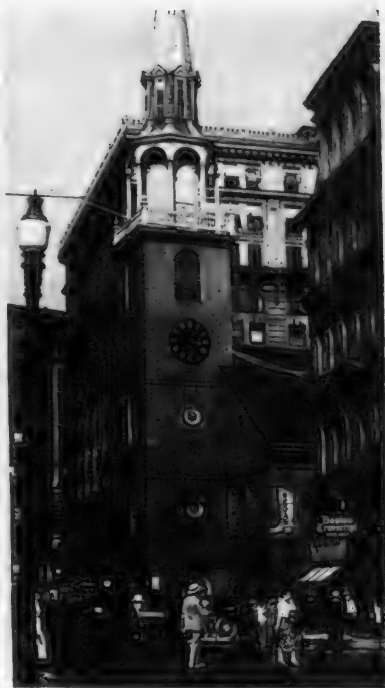
KEYSTONE

King's Chapel, which was erected in 1749, the original chapel having been founded in 1686. A Tory church during the siege, it became the first Unitarian church in the United States in 1785. Adjacent is the burial ground, the oldest in Boston. In it are buried John Winthrop, Lady Andros, John Cotton and other historical persons. East on School Street and left on Washington brings one to the...



NEWSPHOTOS

Old State House, built in 1713, burned in 1747 and immediately rebuilt. It has housed colonial courts and legislators, town and city governments and the general court of the Commonwealth. Southward on Washington Street stands...



NEWSPHOTOS

Old South Meeting House. The present building dates from 1789. In its predecessor the men of Boston met to protest the forcing of Massachusetts citizens into the English navy, to demand the withdrawal of British troops and to discuss the tax on tea. A walk of a few blocks to the southeast brings one to



HARRIS & EWING

The Boston Federal Reserve Bank, which serves the First Federal Reserve District, comprising all of New England except the southwest corner of Connecticut, which is in the Second (New York) District. Continuing southeast, to the neighborhood of South Station and the mouth of Fort Point Channel, one finds.....



NEWSPHOTOS

The site of the Boston Tea Party, which is marked by a tablet (at left in picture, above steel grating). This is now Atlantic Avenue. Back again northward on State Street (at No. 30) is
(on next page)



LENS & LETTERS

The scene of the Boston Massacre (1770), pointed out by letters in the sidewalk. A wall tablet tells the story. Only a short distance away, at 53 State Street, is the



NEWSPHOTOS

Boston Stock Exchange, which had its beginning in 1834, when 13 Boston brokers organized a "board". A short interruption during the War is the only break in its 103 years. A few steps distant is...

Faneuil Hall, called "The Cradle of Liberty". With the possible exception of steel staircases, electricity and steam heat it is in the same condition as when it was originally built in 1761, after a fire had destroyed the earlier Hall. It has been used for public meetings for over a century and a half, and now houses a notable collection of Revolutionary items. From here it is a few minutes' walk down North Street to.....



GENDREAU



EWING GALLOWAY

The Paul Revere House, the oldest house in Boston, built in 1660 and purchased by Revere 110 years later. It is one of the most interesting of Boston's colonial relics. A building that will always be associated with it stands a few streets to the north. It is.....



NEWSPHOTOS

Old North Church, the oldest church building in Boston, built in 1723. In its steeple were hung the lanterns that signalled to Paul Revere the approach of the British before the Battles of Lexington and Concord.

Touring Pictures



EWING GALLOWAY

SCHOOLS: A corner of the campus at Yale



GENDREAU

ROADS: *Right*, a New Hampshire motor road, typical of many in New England

INDUSTRIES: The industrial skyline of Bridgeport, Connecticut



CHARLES PHELPS CUSHING



CITIES: Providence, Rhode Island, from the steps of the capitol

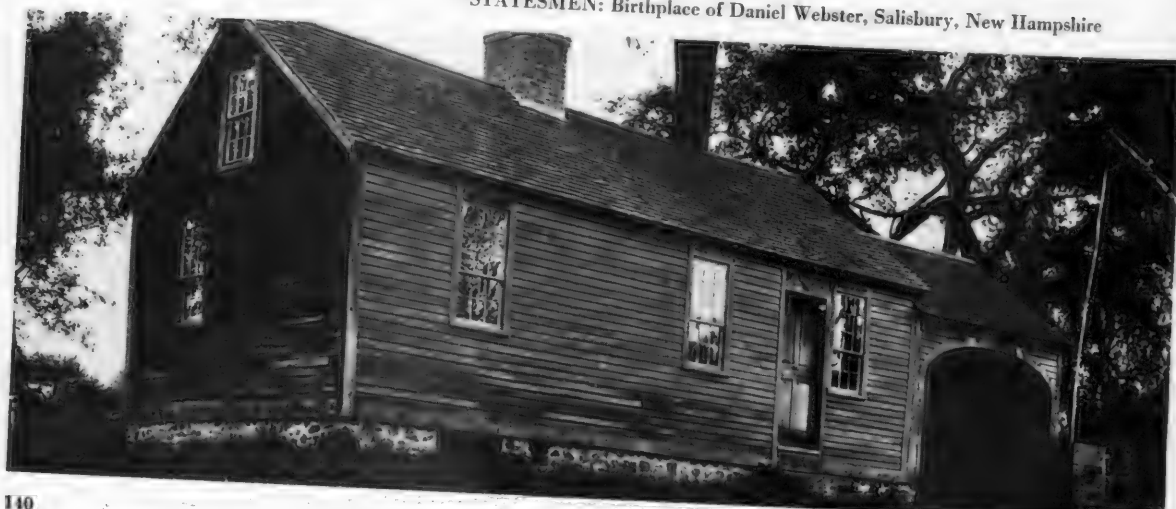
GENDREAU



BOOKS: The Redwood Library (founded 1747) in Newport, Rhode Island

GENDREAU

STATESMEN: Birthplace of Daniel Webster, Salisbury, New Hampshire



EWING GALLOWAY
BANKING



EWING GALLOWAY

COUNTRYSIDE: A typical New England village. This one happens to be East Corinth, Vermont

SEA COAST: A lumber ship at Eastport, Maine, the country's farthest north town

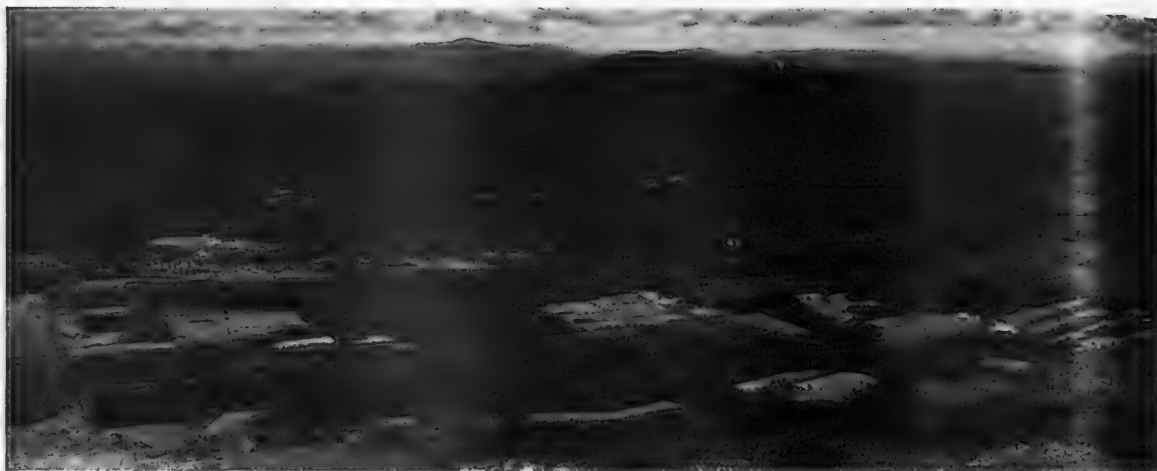
HISTORY: The tavern where Ethan Allen was captured, Chimney Point, Vermont



KEYSTONE



CHARLES PHELPS CUSHING



FAIRCHILD AERIAL SURVEYS

FORESTS AND LAKES: Maine's scenic variety



KEystone

MEMORIALS: Plymouth Rock Monument and Massasoit statue, Plymouth, Massachusetts



EWING GALLOWAY

LITERATURE: The House of the Seven Gables, Salem, Massachusetts

PANORAMAS: The Berkshire Hills near North Adams, Massachusetts



GENDREAU

BANKING

An Illustrious Neighborhood



In Cambridge is the site (*above, left*) of the house where Oliver Wendell Holmes was born in 1809. In nearby Concord stands the Old Manse (*above, right*) where Hawthorne lived from 1842 to 1845. He wrote of it as "this antique house" which "stands behind a noble avenue of Balm of Gilead trees." It was built for Ralph Waldo Emerson's grandfather, and Emerson himself lived here

Orchard House, Concord, was the home of the Bronson Alcotts and their daughters for many years. It was here that Louisa wrote many of her stories. Later, Alcott made the house the headquarters of his Concord School of Philosophy





NEWSPHOTOS



NEWSPHOTOS

Emerson's home in Concord (*above, left*) burned in 1873, but his neighbors gave him a check for \$5,000 to build an exact duplicate of the original. One of Cambridge's literary landmarks is Elmwood (*above, right*), once the home of James Russell Lowell

Craigie House (*below*) in Cambridge has both historical and literary associations. Built in 1760, it was Washington's headquarters from July 1775 to April 1776. Henry Wadsworth Longfellow lived here from 1843 until his death





In Haverhill, to the north of Boston, is the rural home of John Greenleaf Whittier

"While I bask in the sun on the shores of Walden Pond," said Thoreau, "I am absolved from all obligations to the past." He lived for two years in a cabin by the pond (below). There is now public bathing in the water made famous by Concord's "bachelor of Nature"

NEWSPHOTOS



NEWSPHOTOS

In South Sudbury is the tavern made famous by Longfellow in his "Tales of a Wayside Inn." It is said to date back to 1686. In 1927 Henry Ford purchased it and since then has restored it to the appearance it had in Revolutionary times



NEWSPHOTOS

Mr. Ford also purchased and moved to South Sudbury the Little Red School House (*below*), which is still in use. It was to this schoolhouse that Mary was followed by her little lamb, and here the opening lines of the poem were written



KEYSTONE
BANKING

NEW HAMPSHIRE . . . *land of scenic splendor*

The Concord (N. H.) Clearing House Association



An Invitation

A VISIT to New Hampshire, *Land of Scenic Splendor*, at the time of your attendance at the annual meeting of the American Bankers Association, October 11-14 in Boston, will refresh you.

☞ The brilliant autumn foliage, emblazoning the mountains, hills, and valleys, will be at its height about then. The sharp nights are good for restful sleep, and the warm, sunny days are superb for seeing the restful countryside, viewing the grandeur of the White Mountains, or trying your luck at hunting grouse, fox, or rabbits.

☞ For information on what you can see or do, or where you can stay, write to us or to the State Planning and Development Commission or to the Fish and Game Department, at Concord, New Hampshire.

THE RUMFORD PRESS

CONCORD
NEW HAMPSHIRE

A NATIONALLY-KNOWN INSTITUTION

Printers of

BANKING

and Sixty Other Publications of Prestige



VISITORS to the Rumford Press will see a complete exhibit of modern magazine and booklet manufacture, including those of very large edition, reaching millions of copies, others of a cultural nature and still others luxuriously illustrated, typifying the highest quality in present-day publication printing.



YOU CAN BANK ON A
WARM WELCOME AND
AN INSTRUCTIVE VISIT
AT THE RUMFORD PRESS



IS HE CAREFUL?



Addresses 100 Competitors in His Best Clothes

Addresses 1000 Customers on Cheap Paper

AT ATLANTIC CITY this manufacturer addressed a hundred members of his trade association. To live up to the dignity and standing of his company, he appeared in new shoes, a custom shirt, and a perfectly fitting new hand-tailored suit.

Every day this man's company addresses (on paper) more than a thousand customers and prospects. Yet he never stops to notice that his paper and envelopes are of the very cheapest, least impressive character that can be bought.

If you are in business or professional life fine paper is important to you. It supplies atmosphere. Your customers feel this atmosphere. What they feel, they believe.

Fortunately, the cost of even Strathmore's fine

papers is negligible. You can have the most widely used rag-content bond letter paper in America—STRATHMORE HIGHWAY BOND—for less than 1 per cent more, per complete letter, than the cheapest paper you might buy. Even if you specify as fine a bond paper as can be made—STRATHMORE PARCHMENT—the added cost, per letter, will be but 2.9¢.

We will gladly send you the Strathmore Letter-Cost Analysis audited by Certified Public Accountants. With this useful analysis we will include liberal samples of Strathmore papers and envelopes-to-match for your use. Write for K-1 Samples today to Strathmore Paper Company, West Springfield, Massachusetts. (Strathmore envelopes-to-match are made by Old Colony Envelope Company, Westfield, Mass.)



STRATHMORE

Maker of Fine Papers

PAPER IS PART OF THE PICTURE

BANKING'S DIGEST—OCTOBER 1937

Dollar Value or Purchasing Power?	E. F. LAWRENCE	149
Tell Women About Banks	HELEN KAVANAUGH	149
The American Way to Security	O. J. ARNOLD	150
Avoid Tomorrow's Write-offs Today	JACOBUS KRUYNE	150
Trust Departments "Just Grewed"	R. W. SPRAGUE	151
Run Your Own Bank	G. O. THORPE	151
The Strike Is a Form of War	NICHOLAS MURRAY BUTLER	152
A Uniform Federal Escheat Plan	J. F. T. O'CONNOR	152
How to Win Championships	BRANCH RICKEY	153
Educated Cannon Fodder	H. G. WELLS	153
Has Democracy Anything to Fear?	ERNEST G. DRAPER	154
Eight Women's Views on Insurance Advertising	HENRY L. JONES	154
Inflation or Not, Diversify	GEORGE S. ECCLES	155
Amendments for the Wagner Act	CASSIUS R. PECK	155
The Government Bond Market	ALLAN M. POPE	156

What Would You Like To Know ABOUT CANADIAN BUSINESS

THROUGH the New York Agency of the Canadian Bank of Commerce you can obtain reliable information as to Canadian markets, trade conditions, locations for branch plants or any other phase of business activity.

By means of our large network of branches throughout the Dominion, we are well equipped to assist and serve



corporations, firms, and individuals interested in Canada.

FOREIGN EXCHANGE

FOREIGN COLLECTIONS

REMITTANCES

LETTERS OF CREDIT

ENQUIRIES INVITED

THE CANADIAN BANK OF COMMERCE

HEAD OFFICE: TORONTO

S. H. LOGAN, President

A. E. ARSCOTT, General Manager

Established 1867

New York Agency: Exchange Place & Hanover Street

C. J. STEPHENSON }
N. J. H. HODGSON } Agents

R. J. COWAN }
R. G. MILLER } Assistant Agents

BRANCHES THROUGHOUT CANADA and in OTHER COUNTRIES

Dollar Value or Purchasing Power?

E. F. LAWRENCE, Assistant Trust Officer, Crocker First National Bank, San Francisco, before the ANNUAL TRUST CONFERENCE of the PACIFIC COAST AND ROCKY MOUNTAIN STATES.

THE adjustment of investment policies to meet the changes in economic conditions is a matter of concern to trust institutions. This situation is often aggravated by conflicts between the respective rights of life tenants and remaindermen. Today, corporate fiduciaries are confronted with the grave responsibility of deciding whether to conserve the dollar value of the trust or its purchasing power. While fluctuations in purchasing power are by no means a new development, the present situation is made more acute by the combination of devalued currency with rising commodity prices and the probability of lower bond prices predicted by many economists. The presence of these and many other factors makes it difficult to foresee future trends in trust investment.

The extent to which real estate mortgages will be used in the future depends upon more general improvement of realty values and the elimination of Government competition. Until Government agencies withdraw from the market or raise their loan requirements, desirable mortgages will be difficult to obtain. Past experience will continue to dictate the practice of utilizing only carefully selected mortgages. The situation with respect to real estate bonds is to a great degree comparable.

High grade bonds in the municipal and corporate fields should continue to be favored as sound trust investments.

Particular types of corporate bonds, such as railroads and utilities, will still be subjected to close scrutiny. There is no indication of any intention to depart from the present practice of insisting upon the underlying liens of conservatively capitalized and well operated railroads. Limitation of investment in the utilities to issues of operating companies may be expected at least until the extent of Federal Government influence upon this industry can be determined.

There appears to be no way at present of avoiding additional concentration in short-term and medium-term United States Government bonds and municipals. If and when interest rates advance to more normal levels, the desire to attain a better diversification of maturities will induce a gradual liquidation in this class.

The commingled trust fund should in the future become an important part of the investment practices of many fiduciaries. It should prove possible to eliminate the obstacles which are now standing in the way of its practical application to small accounts. Some of the necessary legislation is now being provided. Enabling acts have been passed in Delaware, Indiana, Minnesota, New York, Ohio, Oregon, Pennsylvania and Vermont.

Last year the Executive Council of the American Bankers Association, by resolution, endorsed and approved the efforts of the Trust Division to develop a form of procedure in the management of common trust funds, which would meet the requirements of the Board of Governors of the Federal Reserve System as well as other supervisory authorities. The new regulations of the Board are expected in the near future.

Tell Women About Banks

HELEN KAVANAUGH, Wells Fargo Bank & Union Trust Company, San Francisco, before the WASHINGTON BANKERS ASSOCIATION.

WITH few exceptions, bankers have never tried to educate or inform women regarding banking services. Upon interviewing a number of bank executives and men whose duty it is to solicit new business, the fact was brought out that many women made use of only the savings and checking accounts. They either do not know about the complex and intricate functions of a trust account or investment department services, or are bewildered by them.

During these interviews I heard many adjectives applied to my sex—no superlatives, just powerful, descriptive adjectives, such as women are "temperamental" to do business with, "taciturn" about their affairs, "evasive and inconsistent," and most of all "suspicious," very suspicious. For instance, a woman may wish to create a living trust, and when she finds that she is required to assign and convey her property and assets over to the bank, she suspects that the bank is resorting to subterfuge to gain possession of her wealth. To use the words of one executive: "For the average woman, the trust department has always been enveloped in

a cloud of mystery." That is why they are suspicious; it is only human nature to fear and be suspicious of that which we do not understand, that which we know little or nothing about; and it is only by educating women that you will be able to help them overcome this feeling.

Few women are aware of the advantages of investing through a bank. They do not know that a bank has nothing in syndicate, nothing to sell or unload, nor do they know that they have access to the services of the security analysis department.

Bankers are a civic minded group; pride themselves on the welfare, happiness and intellectual standing of their community. Why wouldn't a program of education on banking services for women be a great civic service? Banks could do this either as units or in groups, and in so doing would accomplish two things, a service to their fellow citizens, and an increase in their own business, which is the desire of every banker.

There are many ways in which this educational program could be handled:

1. By the proper type of advertising. Because streetcar advertising is forced upon one's vision, it carries more of an appeal and is read by many more people than any other form

of printed matter. However, the type used at present regarding trusts, in San Francisco at any rate—carries only an appeal to the married men with responsibilities. There will be a picture of a distracted widow clutching her children to her with the words "Provide for your loved ones" or "A trust fund will prevent this" or something similar. If unaware of the functions of a trust, a woman would be led to believe that in order to benefit from a trust, one must be a widow with little children.

2. Then there is the radio. People will listen when they are too indolent to read, too thoughtless to inquire. A program arranged in the form of a duologue might be a good idea, because a duologue is relief from the monotony of a

single voice and enables the advertiser to put into the mouths of the performers, the questions the audience would be likely to raise, much in the manner of informal conversation. If the lines are cleverly written and expertly handled, the duologue can retain much of the impulsiveness and spontaneity of informal conversation.

3. The third way, and unquestionably the best, is by lecturing to women in groups, because the spoken word is the most powerful and direct, and because speech is the highest form of interpretation. Trained speakers who can hold the attention long enough to get their message across provide the most logical and satisfactory way to handle an educational program of this type.

The American Way to Security

O. J. ARNOLD, President, Northwestern National Life Insurance Company, before the NATIONAL ASSOCIATION OF LIFE UNDERWRITERS.

THE depression has brought home to us the knowledge that there is much to be done before we can attain true security; but on the other hand, it has in hundreds of ways confirmed for us in America the path our founders chose for gaining security. Setting aside for a moment all that government, our social institutions, and business generally have accomplished in the years of depression, the record of life insurance alone will justify the American way to security.

No matter what the underlying causes of depression may be, the central fact of depression is that the nation's ability to produce and its ability to consume are thrown widely out of balance. The task of bringing them into balance once more is the task of recovery. In such a situation it must be apparent that every dollar of savings of the public which has been preserved and made available for consuming power is a dollar that fights depression and promotes recovery. Such were the 16 billions of dollars (not including policy loans) that flowed back into the hands of policyholders and their families during the first six years of the depression.

Life insurance "primed the pump" of recovery in those six years by dipping into the savings of the past. Yet, at the end of those six years, the savings of the American people represented by assets of life insurance companies had actually increased 5¾ billion dollars. That is one of the remarkable facts of our time. To put it another way, life insurance "primed the pump" with 16 billions and meanwhile in-

creased its savings fund by 33 per cent. In that same period relief and work-relief agencies of the Government primed the pump with a little over 5 billions—and by just that staggering amount added to the increasing mortgage being fastened on our nation's future. The economy of life insurance is the economy of "pay as you go." And can anyone deny that "pay as you go" is the only economy of true security?

Out of those 16 billions of dollars, 5½ billions were marshalled into the battle against the inroads of death. Almost 11 billions were paid to living policyholders to be used in the fight on sickness, want, privation, and hardship. These vast payments to policyholders and their families were simply the normal functioning of life insurance.

That is the dollar picture—the money picture, if you will. But this dollar picture is only a small fraction of the evidence. It is in the realm of morale, of character, and of moral fiber that these dollars translate themselves into sound public welfare and human well-being. I question whether a wholesome feeling of well-being can come to the man who must live for today by borrowing from the nation's future. Certainly the moral softening that takes place under those circumstances is far removed from the spirit, the character and the well-being of the man who has built his own security. His is the stalwart type of character which our nation must build if we are to have a strong and a secure society.

These results of life insurance in dollars, and in spiritual values, are far too great and too significant to be passed by lightly. They point to no compromise with poverty in America, to no policy of restriction, to no admission of defeat.

Avoid Tomorrow's Write-offs Today

JACOBUS KRUYNE, Assistant Vice-president, Marshall & Ilsley Bank, Milwaukee, before Wisconsin State Chapter, AMERICAN INSTITUTE OF BANKING.

THE method of analysis used, the studies made, the type of information collected are not of vital importance to your bank if they are not applied.

Character, capacity (moral risk), capital, business cycles, group ratios, etc., can do much, if applied and studied, in

preventing one from doing those things in an advancing cycle which cause the losses in a declining cycle. It has been well said that it is in periods of low earnings when competition is keen that we are willing to let our good judgment go to sleep in order to get loans which will give us earnings.

If, however, we lose sight of the foregoing and make false gods of our earnings, we are taking risks, assuming hazards today which will become the troubles and write-offs of tomorrow.

Trust Departments "Just Grewed"

R. W. SPRAGUE, Vice-president and Trust Officer, The National Bank of Commerce, Seattle, before the ANNUAL TRUST CONFERENCE of the PACIFIC COAST AND ROCKY MOUNTAIN STATES.

WHILE realizing that increased business and adequate compensation are essential to trust profits, I also feel that there is much the trust official can do in the administration of the business already in hand to improve the net earnings of the department. Profits are not determined solely by gross commissions; expense of operation is just as important.

What are the possibilities of cost reduction? What economies can be effected? How can greater efficiency in operation be secured?

Most departments are like Topsy. As business increased, they have enlarged their operations by the process of "adding on" rather than by the better plan of expansion under a well thought out and comprehensive system. For this reason many trust departments could stand a thorough overhauling and reorganization.

First as to location: Many departments have started with a desk in the corner and as they grew have "elbowed out" larger space. Sometimes the personnel and equipment is scattered. Sometimes the quarters are cramped and the employees crowded together. Neither condition is conducive to good work and wherever there is poor work there must necessarily be an economic loss. If the trust department deserves to continue at all, it is entitled to such allocation of space, based upon its relative importance to the bank, as will enable it to do most effective work.

Next as to equipment: It is so easy to get along with old ledgers, old files and ancient forms; so hard to get approval for the purchase of a posting machine, and other up to date mechanical equipment. Naturally I do not mean the purchase of an excessive or unreasonable amount of equipment. The small department with a dozen or so trusts does not ordinarily need a posting machine, but for the larger departments up to date equipment is essential.

Adequate equipment speeds up operation and insures greater accuracy. This means time saving and therefore money saving. It makes for neatness of work. It has a favorable mental reaction on the employees, giving incentive to better work. Modern equipment gives the impression of a good workshop which appeals both to present and prospective customers.

Next I might mention forms: Although doing the same kind of work, it would be hard to find two trust departments having the same forms for accounting purposes. Surely some must be better than others, requiring less labor and affording greater efficiency. Are yours as good as they might be? Are they simple and easily understood by the new employee or does it take a year's training for a new clerk to learn how to assort his tickets and post them?

Do you make judicious use of printed forms wherever possible for receipts, credit advices, delivery of securities and like services? If not, here is another place to effect time saving through the reduction of stenographic work and clerical duties.

Then there is systematization. You may find some businesses that can run successfully without much planning, but not trust departments. The requirements for accuracy, timeliness and results are too imperative for slipshod methods. Your system must be foolproof to prevent mistakes, simple so as to prevent complication and waste effort, effective so as to eliminate lost motion and give adequate service to your beneficiaries. Over-systematization is expensive.

It would make a large reduction in our operating costs if we could dispense with auditors and examinations. Since we cannot, let us endeavor to make their visits shorter and their bills less. How can we do this? In the first place, we can have assets in their proper place. Hours can easily be spent in hunting for notes and securities that are not where they should be, or proper evidence of their location provided.

Next as to supervision of assets. Here is room for all sorts of economies from the manner in which securities are filed to the methods of investment review and distribution. When a trust is coming into your hands try to obtain a preview and if at all possible secure the removal of worthless items. This will avoid the necessity of setting up asset records and making unprofitable investigations. Some trusts might better not be accepted at all.

The secret of economical and profitable trust administration is in the selection of a capable personnel from the manager of the department down to the lowest paid clerk. It is not economical to take an employee from another department just because he is available. No one should be given a place in the department who does not give evidence of some ability to become an expert.

It is poor economy to pay low salaries. What profit is there if, after months of training, an employee leaves your institution to find a place elsewhere at an increase of salary?

Run Your Own Bank

G. O. THORPE, Cashier, The First National Bank, Chipewaga Falls, Wisconsin, before Wisconsin State Chapter, AMERICAN INSTITUTE OF BANKING.

IT is my belief that every banking institution owes much to its community, but the community must not be permitted to run your bank.

People do not think of telling doctors or dentists how their surgical or dental work should be done. The same should apply to the profession of banking. Bankers are

members of one of the most technical, yet interesting, professions of which I know. You deal with both certain and uncertain sciences. Run your own bank; it is your responsibility.

Your stockholders expect you to make money; in fact, you have to in order to survive. Service charges are an aid in this problem.

Service charges were virtually forced on banks by conditions. Few adopted them without a great deal of hesitancy and doubt. They are here now, and are here to stay.

The Strike Is a Form of War

NICHOLAS MURRAY BUTLER, President of Columbia University, in an address at the Parrish Art Museum, Southampton, New York.

WITHIN the limits of practical possibility, the shortening of the hours of labor, the increase of monetary wages and salaries and the provision for security in case of illness or dependent old age, are highly desirable, indeed necessary, as much in the interest of the general public as in that of the wage-workers themselves who are to be directly affected. The practical problem is how to bring about these desirable results without permitting economic war at the cost of the general public or the exploitation of the organized wage-workers by those who profess to be their representatives and leaders.

The development of collective bargaining is sound and its results admirable if it is participated in by those and only those—or their chosen representatives—who are affected by its results. No wage-worker should be compelled to join in collective bargaining if he does not wish to do so, nor should he be allowed to suffer at the hands either of his fellow workers or of his employers because he prefers to hold himself aloof from any compulsory organization. That is why the so-called closed shop is not only undesirable, but highly inconsistent with any doctrine of personal or economic liberty. As a matter of fact, the advocates of the closed shop, while among the most violent denunciators of Fascism, are alert and eager to practice Fascism at the very first opportunity to do so. There is no more reason why a citizen of the United States should be required, in order to find opportunity for employment, to enroll himself as a member of a trade union, than why he should be compelled to join a given political party, a given church, a given Masonic lodge, or a given debating society.

At the present time, it would seem to be quite obvious that public opinion will not countenance what are called sit-down strikes, or sympathetic strikes in industries other than that directly affected by a dispute between employer and employee, or strikes in breach of an existing agreement as to collective bargaining or labor relations, or strikes called without a vote by secret ballot of the members of the organization immediately concerned, or strikes designed or calculated to coerce the government, whether local, state or national, either directly or by inflicting hardship and damage upon the citizens of any community. All these acts should be made, and in my judgment can now be made, illegal and the law against them enforced, because it will be upheld by

public opinion. At the same time, any law of this kind must be so carefully drafted that it will in no wise limit the freedom of the individual worker or of the group to which he may belong in endeavoring within the limits of the law to improve the conditions under which he works, whether physical or monetary.

When so much shall have been done, it will still be necessary to make certain that the labor organizations themselves can be held responsible for their acts. The shortest and quickest way in which to accomplish this is to provide that these labor organizations shall be incorporated and required to make reports at stated intervals of their financial operations. It is quite impossible to avoid establishing these policies if we really propose to bring order out of the existing chaos and to develop a situation in which the condition of the wage-worker may be steadily and satisfactorily improved.

It must be repeated again and again that the strike is a form of war and there is as much reason to find ways and means of preventing it as to find ways and means to prevent military war between nations.

We come back again and again to the fundamental struggle between ordered liberty and regimentation, between economic peace and constant resort to economic war. One of the curious anomalies is that the most vigorous and persistent advocates and supporters of strikes in all their aspects, however disastrous, are those reactionary radicals who so ardently profess their love of peace and their hatred of war of any kind between nations for any purpose. In other words, these reactionary radicals are opposed to all war except that which they themselves desire to make. Whether this be looked upon as tragic or as comic is a matter of taste, but it is a fact of common knowledge and of constant demonstration.

The conclusions are plain. They are, first, that there must quickly be legislation, both state and Federal, which shall protect the public from that economic war, particularly when organized and brought about by leaders of labor organizations who are in all essentials racketeers. The British Trade Disputes and Trade Unions Act points the way. When so much shall have been done, it remains then, by formal action, both state and Federal, to make the members of labor organizations fully responsible as American citizens for their acts either as individuals or as members of a corporation. The absence of this legal liability, although any advance toward it has been strongly opposed by labor leaders, is really a distinct damage to the interests of the wage-workers.

A Uniform Federal Escheat Plan

J. F. T. O'CONNOR, Comptroller of the Currency, before the WASHINGTON BANKERS ASSOCIATION.

THE constitutionality and wisdom of legislation by the Federal Congress and by the several states providing for the escheat of dormant or inactive accounts and deposits in national banks has been the subject of considerable study

on the part of the Treasury Department, the Comptroller of the Currency, and the Congress.

Several of the state legislatures have enacted so-called escheat of dormant deposit laws. In some of the states, the officers charged with the administration of the escheat law enforce or attempt to enforce such law only against banks organized under the laws of that state, whereas other state

authorities take the position that the state law is applicable to national as well as state banks.

In general, the Comptroller's office has taken the position that where the law of a particular state is purely an escheat law, national banks are subject thereto, but where the state law, on the other hand, amounts to a forfeiture statute rather than an escheat, then the national banks located in that state are not subject to the state law. This difference is exemplified by the decision of the Supreme Court of the United States in *First National Bank of San Jose v. California*, 262 U. S. 366, wherein it was held that the California escheat law was not applicable to national banks, whereas the Circuit Court of Appeals for the Ninth Circuit, in the case of *Territory of Alaska v. First National Bank*, 22 Fed. (2d) 377, and 41 Fed. (2d) 186, held that the Alaska statute is applicable to national banks because, in the opinion of that court, the Alaska act was purely an escheat law requiring a judicial determination of death of the depositor. The right of that state to claim the property of a deceased person who dies without heirs is not questioned.

The difficulty that is experienced in drafting and construing state acts is demonstrated by the comparatively recent decision of the Michigan Supreme Court in the case of *Braun v. McPherson*, 277 (Mich.) 396, 269 N. W. 211, wherein the majority of the court (four) held that the Michigan act (as applied to state banks) is constitutional, whereas the minority of the court (three) said in a vigorous dissenting opinion that the Michigan Act of 1929 as amended

by the Acts of 1933, should be held unconstitutional.

The Treasury Department, as well as the present and previous Comptrollers of the Currency, have recommended proposed Federal legislation looking toward the escheat to the United States of dormant accounts in national banks but refused to recommend the passage of a bill introduced in the first session of the 75th Congress (S. 376) which was designed to subject unclaimed deposits in any national bank to the escheat laws in force in the state, territory or district in which such bank is located.

The Secretary of the Treasury (Wayne C. Taylor, Acting Secretary) expressed the views of the Treasury Department and the Comptroller of the Currency in a letter to Senator Robert F. Wagner, chairman of the Senate Committee on Banks and Banking, dated February 17, 1937. These views may be summarized as follows:

(1) A uniform Federal escheat plan, with adequate safeguards, is to be preferred to the uncertainties and variations of the laws of the several states.

(2) State laws have been held to, and conceivably may, impair the proper performance of the functions of national banks.

(3) Where the state legislation is purely an escheat law, uniform Federal legislation which has been recommended would not impair the operation of these state escheat laws which adequately protect rights of depositors and banks by requiring judicial determination upon due process of the death of each depositor.

How to Win Championships

BRANCH RICKEY, Vice-president and General Manager of the St. Louis Cardinals, in a radio commencement address to the AMERICAN INSTITUTE OF BANKING.

IN the hope of stimulating some graduate of the Institute to have a tremendous urge to do the best he can, to make his ability meet his capacity, I will give you the three things that I think help most to qualify a man to win a championship in my game. First, the thing he is doing must be worth while. There must be a reason for doing it. It must be something that ought to be done. Religion has to qualify on that basis. I think it does. So does sport, even professional sport.

Banking must be worth while, too. There should be a very real appreciation of the almost unlimited influence of finance

not only within a country but between countries. The opportunity for wide public service is the greatest of all. A job must challenge a man with its worthiness. You stand upon the threshold of a career that challenges every ability you have to make yourself counted.

Second, having concluded that the thing to be undertaken is good, one must undertake it with a great desire to do the job. A desire to win that completely consumes a player is the greatest qualification of a champion. Assuming that the objective is worthy, then the realization of it is everything.

The third requirement is correct technique. It is pathetic to see a man of fine strength and ability consumed by desire to succeed, and yet fail because he cannot coordinate his forces.

Educated Cannon Fodder

H. G. WELLS, British writer, before the BRITISH ASSOCIATION for the ADVANCEMENT OF SCIENCE.

FOR a number of years, and particularly since the war, I have been keenly interested in public thought and public reactions, in what people know and think and what they are ready to believe. What they know and think and what they are ready to believe impresses me as remarkably poor stuff.

The general ignorance—even in respectable quarters—of some of the most elementary realities of political and social life of the world is, I believe, mainly accountable for much of the discomfort and menace of our times.

The uninstructed public intelligence of our community is

feeble and convulsive. It is still the herd intelligence. It tyrannizes here and yields to tyranny there. What is called elementary education throughout the world does not in fact educate because it does not properly inform.

We have no time to waste, if our schools are not to go on delivering, year by year, fresh hordes of ignorant, unbalanced, uncritical minds, at once suspicious and credulous, weakly gregarious, easily baffled and easily misled, into the monstrous responsibilities of this present world—mere cannon fodder and stuff for massacres and stampedes.

We want our modern citizen to have some grasp of the increasing importance of economic changes in history and the search for competent economic direction.

Has Democracy Anything to Fear?

ERNEST G. DRAPER, Assistant Secretary of Commerce, before the NATIONAL PETROLEUM ASSOCIATION.

EVERY government is obliged to intervene in economic life. History does not give us any example of any nation of modern or ancient times which has permitted complete economic freedom. As long as the regulations which are established are designed to promote an orderly economic life and improve the satisfaction of human needs, democracy has nothing to fear.

However, there are certain danger signals which we must carefully observe. If we wish to maintain a political democracy we must preserve an industrial democracy as well. Autocratic methods and strong-arm practices either on the part of management or labor are not in accordance with the principles of democracy. Using the word now as applied to a state of mind or quality of manner, both groups should be democratic in their dealings with each other.

The strains and stresses of a democratic government are usually increased by severe fluctuations of the business cycle. Hardships suffered by unfortunate victims of a business depression promote animosities toward both industry and government. This is the period when soap-box orators flourish. How can industry do more to preserve our democratic institutions against attack from this source? We all like to theorize on causes of depression, but we can do a great deal more. Industry, with the aid of government research and statistical agencies, can make a far more exhaustive study of the causes of extreme fluctuations than has ever been attempted before. With the knowledge obtained from this study, more intelligent steps can be taken to smooth out the business curve.

It is appropriate that we should ask: What responsibilities does government have in maintaining industry? What must democracy do for industry in order that the future of both may be secure? Speaking in general terms, we must depend upon government to lay down rules for orderly competition and consideration of the rights of others. But we must avoid obstacles which impair the service of industry to the consumer. We should avoid, also, legislation which tends to upset our economic balance by giving undue advantage to any particular class or group, unless such legislation is clearly in the public interest.

In matters relating to industrial relations, for example, industry should expect that proper responsibility for actions, observance of laws, and the exercise of disciplined restraint be required by government of all interested parties. When conflict appears, means for disinterested negotiations and investigation of facts surrounding the controversy should be provided. If necessary, unbiased, impartial machinery for conciliation should be called into play in order to assist in arriving at an equitable settlement of differences.

Business is entitled to have its rules of conduct defined in a clear and understandable manner. Under present conditions, many of those who are making a sincere attempt to comply with these rules are hopelessly at sea over what they are and are not permitted to do. Court decisions are usually depended upon to clarify controversial points but our anti-trust laws in particular have become more and more muddled as a result of judicial interpretation so that now you can quote a judicial decision for almost any act of business conduct in the anti-trust field. As a part of its service to industry, government should redraft these laws so that they will be both intelligible and fair to the average business concern.

Progressive social legislation designed to improve the status of the under-privileged and to add to the economic security of industrial workers, will, I feel sure, prove to be profitable to business in the long run. After due consideration has been given to human welfare, however, business should not be burdened with state or Federal legislation which unnecessarily penalizes efficiency. The interstate character of many types of industrial activity has now been clearly established. If consumers are to enjoy the advantages of mass production methods, the distribution of commodities should not be subjected to a wide variety of regulations every time a political boundary is crossed.

So far, democracy has proved itself remarkably capable of adjusting its form and methods to fit changing needs and circumstances.

Today the outlook is encouraging. We have just emerged successfully from a period of severe strain. The future holds a still greater promise which will be realized if statesmanship and unselfish vision are exercised by those who are responsible for developing our major policies in both industry and government.

Eight Women's Views on Insurance Advertising

HENRY L. JONES, Vice-president, *The American Home*, before the INSURANCE ADVERTISING CONFERENCE.

HERE, for what they are worth, are comments from women regarding insurance advertising:

1. I do not read much insurance advertising, either because it does not appear where I would see it, or because it does not arrest my attention.

2. I feel it is not sufficiently informative from the standpoint of its specific application to the actual needs of my family.

3. I do not care for "scare" copy. It does just that—it scares us. I am sure it will not influence me to buy.

4. The advertising copy which employs abstract titles

suggesting and then describing dependability at considerable length, sometimes gets me to read, but leaves me quite cold.

5. The advertisements which present, by word and picture, the security and enjoyment in later life which insurance affords I like very much. They really enthuse me.

6. I enjoy certain educational series of advertisements which I have read on various health questions. They lead me to think highly of companies using such advertising copy.

7. I feel much of the insurance advertising which I have come across is over the average person's head.

8. Much of the insurance copy which I have read is full of good things about the companies themselves, but there is not enough about the good they can do me or my family. The copy is too subjective and not sufficiently objective.

Inflation or Not, Diversify

GEORGE S. ECCLES, President, First Security Bank of Utah, N.A., Ogden, before the ANNUAL TRUST CONFERENCE of the PACIFIC COAST AND ROCKY MOUNTAIN STATES.

IN considering the problem of proper trust investment policy, it is rather difficult to give much consideration to threats of inflation or the reduced purchasing power of the dollar. These factors change from time to time. So it seems to me proper diversification of securities, as to types and maturities, should be the prime factor.

In considering diversification of trust investments, one must consider two factors. One is diversification according to classes, and the other is diversification according to fields within each class.

Today we must face the prospect of a continuing low yield in the investment field, due to the condition of the money market. Although it does appear that the low has been reached, so far as the rate of interest return is concerned, I personally agree with the economists who predict a continuing easy money market for some time to come, with its resultant low yield on high grade securities.

The position of United States Government bonds in the trust portfolio should be determined by consideration of four factors, namely: Safety, marketability, yield and maturity. Most trust portfolios could afford to sacrifice a degree of safety and marketability exemplified in these bonds, for the sake of a higher income rate. However, today, I feel that the spread between high grade corporate bonds and governments is so narrow that governments are more attractive for a larger part of trust funds than formerly.

Interest rates are sure to increase at some time during the life of the long term trust investment, and it is for this reason that I lean toward the policy of shorter maturities under present conditions and to a large per cent of Government bonds in the portfolio. Governments are selling out of line with high grade corporate bonds and we must consider the tax free element and the fact that we are sure to see a continuing decrease in the amount of outstanding governments available for investments. I am sure we all expect to see a balanced budget again in this country at some future date, and with the operation of various Government agencies, investing funds in Government securities, the available investment supply is certain to dwindle. This will have a tendency to hold up the price in the face of stiffening interest rates, and the spread between governments and corporate issues should widen.

I would say that a proper diversification of investments for trust institutions would be as follows:

United States Government bonds of various maturities, 30 per cent; municipal bonds, 10 per cent; railroad bonds, 10 per cent; public utility bonds, 15 per cent; industrial bonds and preferred stocks, 15 per cent; individual real estate mortgages, 20 per cent.

My personal opinion leans toward the inclusion of common stocks in a trust portfolio, if the trust instrument leaves any opening at all for this type of security investment. Entering this field would require more supervision and investigation by the trust investment committee, and continued surveillance after the investment is made, but it would result in an increase in the trust investment account.

Amendments for the Wagner Act

CASSIUS R. PECK, Attorney, Portland, Oregon, before the ANNUAL TRUST CONFERENCE of the PACIFIC COAST AND ROCKY MOUNTAIN STATES.

THE radical employer will declare that the enforcement of the National Labor Relations (Wagner) Act will result in turning over to union organizations the control of industry. The radical employee will declare that the Act is labor's bill of rights, guaranteeing to every laborer a property right in his employment and preventing the employer from his discharge. As usual, in similar controversies, neither extremist is correct. The real and only true purpose of the Act is to secure to employees, free from any influence of the employer, the right (1) to self-organization, (2) to form, join or assist labor organizations, (3) to bargain collectively through representatives of their own choosing, and (4) to engage in concerted activities for the purpose of collective bargaining or other mutual aid or protection.

The survival of the Act will depend entirely upon the fairness of its administration. If the National Labor Relations Board and the courts fairly administer the terms of the Act so as to accomplish its real purpose, then the Act is entitled to and will survive.

One of the greatest dangers in the administration of the Act will lie in the attempts of the incompetent laborer to compel a continuance of his employment and prevent a discharge by his employer. He will accomplish this by joining a union and raising a cry of union partisanship on every occasion; he will become interested in every union activity, and will call attention to such interest in a way which will be as offensive as possible to his employer; the more incompetent he is, the more will he proclaim his union allegiance; then, having made his record of union allegiance and of being offensive to his employer by reason thereof, he will feel that his employer does not dare to discharge him, or if his employer attempts so to do, then he will appear before the Board with his record carefully prepared and produce hearsay proof that he has been discharged, not for incompetency, but because of union activities.

The union itself should have vision enough to foresee the effect upon public sentiment of any administration of the Act whereby it is recognized that the continued employment of incompetent employees is secured by the Act. Nothing will break down the prestige of the unions or the public opinion supporting the Act so quickly as the conclusion that the unions are using the terms of the Act, or that the Act is

being administered in such a manner as to compel the continuance in employment of incompetent employees.

I would ask that the friends of labor, in the ultimate interest of labor, take the lead in bringing about the following amendments to the Act:

1. To permit an employer, without economic pressure or intimidation, to frankly state to his employees his opinion of the advantages and disadvantages of membership in union organizations.

2. To prohibit the representatives of union organizations from using economic pressure or intimidation to compel membership in union organizations.

3. To reserve to the employer the right of the lockout to the same extent that the right of the strike is reserved to the employee.

4. To prohibit sit-down strikes and slow-down strikes.

5. To provide that the Board shall support its findings, not by *any* evidence, but by the *greater weight* of the evidence.

6. To provide that the courts in review of proceedings before the Board shall have the right to disregard hearsay and incompetent evidence.

However, after the Act has been fairly amended, and after

the public is convinced of its fair administration, to the end that its true purpose may be accomplished, the Act will, in any event, take its place as a prominent milestone in social and economic progress. The greatest threat to the survival of the Act will be found in the attempts of radical proponents to stretch its effect beyond its real purpose. It will be more of a problem to save the Act from the effect of the efforts of its radical friends than to ward off the attacks of its enemies.

So long as the Act, properly amended, is construed, interpreted and administered solely and only to give expression to that American principle of fair play and good sportsmanship,—to wit, that a contest should not be permitted unless the contestants are reasonably equal in the capacities demanded by the contest—the Act will probably endure and in a short while will become commonplace.

But if union representatives overreach and make a racket of their occupations and institutions, the public will revolt, will repeal the Act, and will give continuing effect to the principle of equality in labor bargaining by the establishment of public units with trained negotiators who will conduct all labor bargaining.

The Government Bond Market

ALLAN M. POPE, President, The First Boston Corporation, before the SAVINGS BANKS ASSOCIATION OF MAINE.

IN spite of all that may be said, it still is a factor to be reckoned with that Government securities primarily sell at prices consistent with money rates rather than prices consistent with Government credit. While it is true that at times when Government credit is shaken, Government bond prices, particularly in the long securities, are affected, this effect in general is temporary.

Whereas this situation has been consistently true in the past for outstanding obligations, it may not be as true in the case of new issues. In other words, whereas holders may not sell Government obligations because of the fear of Government credit, they on the other hand may not buy. Such a situation has not yet been seriously met nor is it likely to be met in the immediate future but may have to be reckoned with in the years to come.

While prognostications have been given out regarding the balancing of the budget, the likelihood of a balanced budget is probably remote, some responsible members of Congress even indicating a deficit that may more nearly approach the deficit of 1937 than otherwise.

The financing of new Government money through the discount bill market has undoubtedly been satisfactory from the standpoint of the Government and undoubtedly for some time to come the discount rate on the longer bills will not vary very materially from recent rates. This method of short-term financing for new money creates less comment than does the financing of new money through note or bond issues. To be sure, the certificates due in September have been paid off in cash. They, however, were not paid off in cash in June and it may turn out that they will not be paid off in cash in December. In cases where they are not paid off

in cash the ultimate result is the same as though new money was acquired at quarterly dates through issues of certificates, notes or bonds.

Whereas the opinion is somewhat divided as to the total debt which the country can stand without permanent detriment, it would seem that the most optimistic opinions have rather drawn a deadline at the figure of 40 billions. Whereas there is no way of knowing whether this figure will be reached, or when it will be reached, opinions indicate this is within the realm of possibility. Should that figure be reached at some future date, unless other factors offset the situation there may arise a condition in which the credit of the Government has its effect on the success of new issues. A failure of a new issue would undoubtedly shake the entire Government bond market.

In a conversation I recently had with a savings bank president he stated that his investment committee was in the habit of putting 90 per cent of additional funds into Government securities and then, proceeding to consider the investment of the balance of 10 per cent of such funds, they invariably decided to put that into governments also. Whereas this allows for little diversification it emphasizes that, for a savings bank in a period of inflation or otherwise, it always is a fact that the dollars invested in Government bonds are the same dollars that are due depositors of the bank.

In spite of inflationary tendencies and in spite of credit fluctuations, it emphasizes that there is no safer obligation for a savings bank than investment in Government bonds.

Because savings banks and other fiduciary institutions, to say nothing of commercial banks, are all concerned with conserving the principal represented by the public funds entrusted to their care, it is probable, so far as any one can see ahead, that the money market will govern the Government security market rather than Government credit.

they
es,
tal
tri-
ave
eas
ed,
hin
at
tion
ov-
lure
ern-
ank
s in
into
the
they
here-
t, for
ways
s are

credit
ation
ads.
tions,
with
ds in-
e can
overn-

KING